

# IncentiaPay Ltd

ACN 167 603 992

## Notice of 2019 Annual General Meeting and Explanatory Statement

Time:	11:00am
Date:	Friday, 20 December 2019
Place:	KPMG – Level 38, Tower Three, 300 Barangaroo Avenue, Sydney NSW

## Venue

The Annual General Meeting of the Shareholders to which this Notice of Meeting relates will be held at 11:00am (Sydney time) on Friday, 20 December 2019 at:

KPMG  
Level 38, Tower Three  
300 Barangaroo Avenue  
Sydney NSW 2000

## Your vote is important

The business of the Annual General Meeting affects your shareholding and your vote is important.

## Voting in person

To vote in person, attend the Annual General Meeting on the date and at the place set out above.

## Voting by proxy

To vote by proxy, please complete and sign the enclosed Proxy Form and either:

1. deliver the Proxy Form:

a) by hand to:  
Link Market Services  
1A Homebush Bay Drive  
Rhodes NSW 2138; or

b) by post to:  
IncentiaPay Ltd  
C/- Link Market Services  
Locked Bag A14  
Sydney South NSW 1235; or

2. by facsimile to +61 2 9287 0309; or

3. lodge online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au), instructions as follows:

Select 'Investor Login' and in the Single Holding section enter IncentiaPay Ltd or the ASX code INP in the Issuer name field, your Security Reference Number (SRN) or Holder Identification Number (HIN) (which is shown on the front of your Proxy Form), postcode and security code which is shown on the screen and click 'Login'. Select the 'Voting' tab and then follow the prompts. You will be taken to have signed your Proxy Form if you lodge it in accordance with the instructions given on the website.

Your Proxy Form must be received not later than 48 hours before the commencement of the Meeting. Proxy Forms received later than this time will be invalid.

There may be restrictions on how your proxy can vote on certain Resolutions to be considered at the Meeting. Further details of when these restrictions apply, and what you can do to ensure that your proxy can vote as you intend, are set out in the section of this document headed Voting Exclusions.

The Chair intends to vote all proxies given to the Chair in favour of the Resolutions in Items 2-11.

## Notice of Annual General Meeting

Notice is hereby given that an Annual General Meeting of Shareholders of IncentiaPay Ltd ACN 167 603 992 will be held at 11:00am (Sydney time) on Friday, 20 December 2019 at KPMG, Level 38, Tower Three, 300 Barangaroo Avenue, Sydney NSW 2000.

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the Annual General Meeting. The Explanatory Statement forms part of this Notice of Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Annual General Meeting are those who are registered Shareholders at 11:00am (Sydney time) on 18 November 2019. Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

## Items of business

### 1. Financial statements and reports

*"To receive and to consider the Annual Financial Report of the Company for the financial year ended 30 June 2019 together with the declaration of the Directors, the Directors' Report, the Remuneration Report and the Auditor's Report for that financial year."*

**Note:** This item of ordinary business is **for discussion only and is not a**

## Resolution.

However, Shareholders will be given a reasonable opportunity at the Meeting to ask questions about or make comments about each of these Reports.

### 2. Adoption of Remuneration Report

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary Resolution**:

*"That, for the purpose of Section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as contained in the Company's Annual Financial Report for the financial year ended 30 June 2019."*

**Note:** The vote on this Resolution is advisory only and does not bind the Directors or the Company. A voting exclusion applies to this Resolution – see Voting Exclusions.

### 3. Election of Stephen Harrison as Director

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary Resolution**:

*"That Stephen Harrison, a Director appointed as an Additional Director and holding office until the next Annual General Meeting of the Company after his appointment in accordance with the Company's Constitution and ASX Listing Rule 14.4, be elected as a Director of the Company."*

### 4. Election of Charles Romito as Director

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary Resolution**:

*"That Charles Romito, a Director appointed as an Additional Director and holding office until the next Annual General Meeting of the Company after his appointment in accordance with the Company's Constitution and ASX Listing Rule 14.4, be elected as a Director of the Company."*

### 5. Election of Jeremy Thorpe as Director

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary Resolution**:

*"That Jeremy Thorpe, a Director appointed as an Additional Director and holding office until the next Annual General Meeting of the Company after his appointment in accordance with the Company's Constitution and ASX Listing Rule 14.4, be elected as a Director of the Company."*

### 6. Election of Dean Palmer as Director

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary Resolution**:

*"That Dean Palmer, a Director appointed as an Additional Director and holding office until the next Annual General Meeting of the Company after his appointment in accordance with the Company's Constitution and ASX Listing Rule 14.4, be elected as a Director of the Company."*

### 7. Ratification of prior issue of equity securities

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary Resolution**:

*"That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, the Shareholders ratify the allotment and prior issue of 14,425,000 Shares issued on 1 March 2019 (March Securities) and on terms and conditions all of which are described in the Explanatory Statement which accompanies and forms part of this Notice of Meeting."*

**Note:** A voting exclusion applies to this Resolution – see Voting Exclusions.

### 8. Ratification of prior issue of equity securities

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary Resolution**:

*"That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, the Shareholders ratify the allotment and prior issue of 2,678,572 Shares issued on 1 November 2019 (November Securities) and on terms and conditions all of which are described in the Explanatory Statement which accompanies and forms part of this Notice of Meeting."*

**Note:** A voting exclusion applies to this Resolution – see Voting Exclusions.

### 9. Approval of capacity to issue securities under Listing Rule 7.1A

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as a **special Resolution**:

*"That, for the purposes of ASX Listing Rule 7.1A and for all other purposes,*

Shareholders approve the issue of equity securities up to 10% of the issued capital of the Company (at the time of issue) calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 and otherwise on the terms set out in the Explanatory Statement which accompanies and forms part of this Notice of Meeting."

**Note:** A voting exclusion applies to this Resolution – see Voting Exclusions.

#### **10. Approval of entry into the proposed Convertible Loan Deed and issue of Shares under the Convertible Loan Deed**

To consider and if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary Resolution**:

*"That, for the purposes of item 7 of section 611 of the Corporations Act, Chapter 2E of the Corporations Act and for all other purposes, approval is given for the Company to enter into the Convertible Loan Deed and for the issue of Shares under the Convertible Loan Deed, details of which are set out in the Explanatory Statement."*

**Note:** A voting exclusion applies to this Resolution – see Voting Exclusions.

#### **11. Approval of entry into the Loan Security**

To consider and if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary Resolution**:

*"That, for the purposes of ASX Listing Rule 10.1 and for all other purposes, approval is given for the Company to enter into the Loan Security."*

**Note:** A voting exclusion applies to this Resolution – see Voting Exclusions.

**Dated:** 20 November 2019

**BY ORDER OF THE BOARD**



Ben Newling  
Company Secretary

### **Voting Exclusions**

#### **Item 2 – Adoption of Remuneration Report**

In accordance with the Corporations Act, votes on Item 2 may not be cast in any capacity by or on behalf of a member of the Company's key management personnel (**KMP**) whose remuneration details are included in the Remuneration Report, or any of that person's Closely Related Parties unless:

- the vote is cast by such a person as a proxy for a person who is entitled to vote on Item 2 and in accordance with a direction on the Proxy Form specifying how the proxy is to vote on the Resolution; or
- the vote is cast by the Chair as proxy for a person who is entitled to vote on Item 2 and the Proxy Form expressly authorises the Chair to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the KMP.

If you intend to appoint a member of the KMP (such as one of the Directors) as your proxy, please ensure that you direct them how to vote on Item 2. If you appoint the Chair as your proxy, and you do not direct your proxy how to vote on Item 2, you will be expressly authorising the Chair to exercise the proxy even though the Resolution is connected with the remuneration of members of the KMP.

#### **Item 7 – Ratification of prior issue of equity securities**

As required by the Listing Rules, the Company will disregard any votes cast in favour of Item 7 by or on behalf of:

- a person who participated in the issue and received the March Securities; or
- an Associate of any person described in (a).

However, the Company will not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

#### **Item 8 – Ratification of prior issue of equity securities**

As required by the Listing Rules, the Company will disregard any votes cast in favour of Item 8 by or on behalf of:

- a person who participated in the issue and received the November Securities; or

- an Associate of any person described in (a).

However, the Company will not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

#### **Item 9 – Approval of capacity to issue securities under Listing Rule 7.1A**

As required by the Listing Rules, the Company will disregard any votes cast in favour of Item 9 by or on behalf of:

- each person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities); or
- an Associate of any of those persons.

However, the Company will not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

#### **Item 10 – Approval of entry into the proposed Convertible Loan Deed and issue of Shares under the Convertible Loan Deed**

In accordance with the Corporations Act, the Company will disregard any votes cast in favour of Item 10 by or on behalf of:

- Suzerain Investments Holdings Limited; or
- an Associate of Suzerain Investments Holdings Limited.

However, the Company will not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

#### **Item 11 – Approval of entry into the Loan Security**

As required by the Listing Rules, the Company will disregard any votes cast in favour of Item 11 by or on behalf of:

- Suzerain Investments Holdings Limited and the Company (being parties to the transaction); or
- an Associate of those persons.

However, the Company will not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

### **Explanatory Statement**

This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the Annual General Meeting to be held at 11:00am (Sydney time) on Friday, 20 December 2019 at KPMG, Level 38, Tower Three, 300 Barangaroo Avenue, Sydney NSW 2000.

The purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

If you are in any doubt about what to do in relation to the Resolutions contemplated in the Notice of Meeting and this Explanatory Statement, it is recommended that you seek advice from an accountant, solicitor or other professional adviser.

Full details of the business to be considered at the Annual General Meeting are set out below.

#### **Item 1 – Financial statements and reports**

As required by the Corporations Act, the business of the Annual General Meeting will include receipt and consideration of the Annual Financial Report of the Company for the financial year ended 30 June 2019 together with the declaration of the Directors, the Director's Report, the Remuneration Report and the Auditor's Report.

The Company is no longer required to provide a hard copy of the Company's Annual Financial Report to Shareholders unless a Shareholder has specifically elected to receive a printed copy.

Whilst the Company will not provide a hard copy of the Company's Annual Financial Report unless specifically requested to do so, Shareholders may view the Company Annual Financial Report on its website at [www.incentiapay.com](http://www.incentiapay.com).

No Resolution is required for this item, but Shareholders will be given the opportunity to ask questions and to make comments on the management and performance of the Company.

## Item 2 – Adoption of Remuneration Report

Section 250R of the Corporations Act requires a listed company to put a Resolution to Shareholders to adopt its Remuneration Report for the relevant financial year. The Company's Remuneration Report for the financial year ended 30 June 2019 can be found at pages 23 to 32 of the Company's Annual Report.

The Remuneration Report explains the Board's policies in relation to the nature and level of remuneration paid to the Company's Key Management Personnel (including the Company's Chief Executive Officer and other senior executives, as well as the Company's Non-Executive Directors).

The vote on the Remuneration Report is advisory only and does not bind the Directors or the Company. However, under the Corporations Act:

- if, at least 25% of the votes cast at any AGM on a Resolution to adopt the Remuneration Report are cast against the adoption of the Remuneration Report, the Company's next Remuneration Report must explain the Board's proposed action in response or explain why no action has been taken; and
- if, at the AGM in the following year, at least 25% of the votes cast on a Resolution to adopt the Remuneration Report are cast against the adoption of the Remuneration Report, a Resolution must be put to the Shareholders (**Spill Resolution**) that another meeting be held within 90 days at which all the Directors who were Directors when the Resolution to approve the Directors' Report for that year was passed, excluding any managing director, would need to stand for re-election (**Spill Meeting**).

## Item 3 – Election of Stephen Harrison as Director

The Company's Constitution provides the Board may at any time appoint any person to be a Director (**Additional Director**) provided that the total number of Directors does not exceed nine. The Company's Constitution also provides each Additional Director appointed during the year is to hold office until the next Annual General Meeting and is then eligible for election as a Director of the Company.

Stephen Harrison was appointed an Additional Director of the Company on 15 February 2019 and has since served as a Director of the Company. Stephen Harrison is required to retire under the provisions described above and seeks re-election at this Meeting.

Stephen Harrison has over 30 years of experience in the financial services, funds management, private equity and accounting fields. He has held Director positions with Investec Funds Management and the Australian subsidiary of US based fund manager Sanford C. Bernstein. He has been a founder and held Directorships in a number of listed companies both in Australia and overseas. He is currently Chairman of NobleOak Life Limited and Sinetech Limited.

### Directors' recommendation

The Directors (excluding Stephen Harrison) recommend that Shareholders vote **for** this Resolution. The Chair intends to vote all proxies given to the Chair in favour of this Resolution.

## Item 4 – Election of Charles Romito as Director

The Company's Constitution provides the Board may at any time appoint any person to be a Director (**Additional Director**) provided that the total number of Directors does not exceed nine. The Company's Constitution also provides each Additional Director appointed during the year is to hold office until the next Annual General Meeting and is then eligible for election as a Director of the Company.

Dr Charles Romito was appointed an Additional Director of the Company on 28 June 2019 and has since served as a Director of the Company. Charles Romito is required to retire under the provisions described above and seeks re-election at this Meeting.

Charles Romito is an experienced management consultant with an extensive background across venture capital/private equity, lead syndicate investing and management academia. His expertise lies at the intersection of innovation management, growth strategy and business transformation, and he has applied this to the benefit of blue-chips, family offices and start-ups alike.

Charles was previously in the London office of the global strategy consultancy McKinsey & Company and built on this with an Operating Partner/COO role in a VC fund. He has since spent most of this decade as a sought-after advisor to

both private investors and corporates. As an academic he has both published and presented at world-leading conferences on innovation management; as well as designed, developed and delivered postgraduate and executive education to several thousand high performers across the world.

### Directors' recommendation

The Directors (excluding Charles Romito) recommend that Shareholders vote **for** this Resolution. The Chair intends to vote all proxies given to the Chair in favour of this Resolution.

## Item 5 – Election of Jeremy Thorpe as Director

The Company's Constitution provides the Board may at any time appoint any person to be a Director (**Additional Director**) provided that the total number of Directors does not exceed nine. The Company's Constitution also provides each Additional Director appointed during the year is to hold office until the next Annual General Meeting and is then eligible for election as a Director of the Company.

Jeremy Thorpe was appointed an Additional Director of the Company on 16 May 2019 and has since served as a Director of the Company. Jeremy Thorpe is required to retire under the provisions described above and seeks re-election at this Meeting.

Jeremy Thorpe holds BA and LLB degrees, is a qualified attorney in South Africa, and the Managing Director and Chief Executive Officer of Skybound Capital Australia. He serves on the boards of all subsidiary and associate companies within Skybound Australia's diverse range of investments and is directly responsible for their performance and investment returns.

He has over 30 years' experience in corporate finance, private equity, consumer and business credit, and structured finance. In the recent past he has served on the Board of the National Credit Providers Association in Australia.

### Directors' recommendation

The Directors (excluding Jeremy Thorpe) recommend that Shareholders vote **for** this Resolution. The Chair intends to vote all proxies given to the Chair in favour of this Resolution.

## Item 6 – Election of Dean Palmer as Director

The Company's Constitution provides the Board may at any time appoint any person to be a Director (**Additional Director**) provided that the total number of Directors does not exceed nine. The Company's Constitution also provides each Additional Director appointed during the year is to hold office until the next Annual General Meeting and is then eligible for election as a Director of the Company.

Dean Palmer was appointed an Additional Director of the Company on 15 August 2019 and has since served as a Director of the Company. Dean Palmer is required to retire under the provisions described above and seeks re-election at this Meeting.

Dean Palmer is a chartered accountant with more than 20 years' experience. He is the founder and CEO of Skybound Fidelis Investment Limited - a specialist structured finance, commercial credit and property fund manager.

He has held numerous senior executive roles both in Australia and the UK. He has a Bachelor of Commerce and Law.

### Directors' recommendation

The Directors (excluding Dean Palmer) recommend that Shareholders vote **for** this Resolution. The Chair intends to vote all proxies given to the Chair in favour of this Resolution.

## Item 7 – Ratification of prior issue of equity securities

### Background to the issue of the March Securities

As announced by the Company on 28 February 2019, the Company completed a capital raising on 1 March 2019 and raised a total of \$1,154,000 via a placement of 14,425,000 Shares to fund working capital.

### Background to this Resolution

This Resolution proposes that Shareholders of the Company approve and ratify the issue and allotment of 14,425,000 Shares issued on 1 March 2019 (March Securities).

All of the March Securities were issued utilising the Company's existing capacity under Listing Rule 7.1.

Listing Rule 7.1 allows the Board of an ASX listed entity to issue up to 15% of the Company's issued capital in any 12-month period without the approval of the Shareholders of the Company.

Listing Rule 7.4 sets out an exception to Listing Rule 7.1 which provides that



where a company in a general meeting ratifies a previous issue of securities made pursuant to Listing Rule 7.1 (and provided that the previous issue did not breach Listing Rule 7.1), those securities will be deemed to have been made with Shareholder approval for the purposes of Listing Rule 7.1.

The effect of approval of this Resolution is to allow the Board of the Company to issue additional securities within the 15% limit under Listing Rule 7.1 instead of having to wait 12 months after the issue.

#### Information required by Listing Rule 7.5

The following information in relation to the March Securities is provided to Shareholders for the purposes of Listing Rule 7.5.

- a) The Company issued 14,425,000 March Securities.
- b) The March Securities were issued at \$0.08 per Share.
- c) Each March Security was a fully paid ordinary Share which ranks equally with the Company's existing fully paid ordinary Shares.
- d) The March Securities were issued to New Gold Coast Holdings Pty Ltd.
- e) Funds raised from the issue of the March Securities were used by the Company for general working capital.
- f) A voting exclusion statement is included in this Notice of Meeting.

#### Directors' recommendation

The Directors (excluding Jeremy Thorpe and Dean Palmer) recommend that Shareholders vote **for** this Resolution. The Chair intends to vote all proxies given to the Chair in favour of this Resolution.

### Item 8 – Ratification of prior issue of equity securities

#### Background to the issue of the November Securities

As announced by the Company on 1 November 2019, the Company issued, via a placement, a total of 2,678,572 Shares in connection with the Company's acquisition of The Gruden Group Limited (details of which were set out in the Company's 2018 notice of Extraordinary General Meeting announced to ASX on 7 March 2018) (Gruden Acquisition). The 2,678,572 Shares were issued to Sinetech Limited as part of the working capital adjustment for the Gruden Acquisition. These Shares represent the balance of the consideration Shares for the Gruden Acquisition (with the original upfront consideration for the Gruden Acquisition being issued on 11 May 2018 with Shareholder approval given at the Extraordinary General Meeting of the Company on 5 April 2018).

#### Background to this Resolution

This Resolution proposes that Shareholders of the Company approve and ratify the issue and allotment of 2,678,572 Shares issued on 1 November 2019 (November Securities).

All of the November Securities were issued utilising the Company's existing capacity under Listing Rule 7.1.

Listing Rule 7.1 allows the Board of an ASX listed entity to issue up to 15% of the Company's issued capital in any 12-month period without the approval of the Shareholders of the Company.

Listing Rule 7.4 sets out an exception to Listing Rule 7.1 which provides that where a company in a general meeting ratifies a previous issue of securities made pursuant to Listing Rule 7.1 (and provided that the previous issue did not breach Listing Rule 7.1), those securities will be deemed to have been made with Shareholder approval for the purposes of Listing Rule 7.1.

The effect of approval of this Resolution is to allow the Board of the Company to issue additional securities within the 15% limit under Listing Rule 7.1 instead of having to wait 12 months after the issue.

#### Information required by Listing Rule 7.5

The following information in relation to the November Securities is provided to Shareholders for the purposes of Listing Rule 7.5.

- a) The Company issued 2,678,572 November Securities.
- b) The November Securities were issued at \$0.28 per Share.
- c) Each November Security was a fully paid ordinary Share which ranks equally with the Company's existing fully paid ordinary Shares.
- d) The November Securities were issued to Sinetech Limited.
- e) As the November Securities were issued as consideration as part of the working capital adjustment for the Gruden Acquisition, no funds were raised.
- f) A voting exclusion statement is included in this Notice of Meeting.

#### Directors' recommendation

The Directors (excluding Stephen Harrison) recommend that Shareholders vote **for**

this Resolution. The Chair intends to vote all proxies given to the Chair in favour of this Resolution.

### Item 9 – Approval of capacity to issue securities under Listing Rule 7.1A

Under Listing Rule 7.1A, certain companies may by special Resolution passed at an Annual General Meeting, approve the issue of equity securities which:

- are in the same class as an existing quoted class of equity securities of the Company; and
- which do not exceed 10% of the existing ordinary Share capital, without further Shareholder approval. The ability of the Company to make an issue under Listing Rule 7.1A is in addition to its 15% placement capacity under Listing Rule 7.1.

Approval under this Resolution is sought for the Company to issue equity securities under Listing Rule 7.1A.

If this Resolution is approved the Company may make an issue of equity securities under Listing Rule 7.1A at any time (either on a single date or progressively) up until the earlier of:

- the date which is 12 months after the date of the Meeting; or
- the date on which Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

or such longer period if allowed by the ASX.

In accordance with Listing Rule 7.3A.3, the approval under Listing Rule 7.1A will cease to be valid in the event that Shareholders approve a transaction under Listing Rules 11.1.2 or 11.2.

At the date of this Notice, the Company is an 'eligible entity', and therefore able to seek approval under Listing Rule 7.1A, as it is not included in the S&P/ASX300 and has a market capitalisation less than the amount prescribed by ASX (currently \$300 million). If at the time of the Annual General Meeting the Company is no longer an eligible entity this Resolution will be withdrawn.

The maximum number of equity securities which may be issued in the capital of the Company under the approval sought by this Resolution will be determined in accordance with the following formula prescribed in Listing Rule 7.1A.2:

#### (A x D) – E

where:

**A** is the number of Shares on issue 12 months before the date of issue or agreement to issue:

- i) plus the number of fully paid Shares issued in the 12 months under an exception in Listing Rule 7.2;
- ii) plus the number of partly paid Shares that became fully paid in the 12 months;
- iii) plus the number of fully paid Shares issued in the 12 months with approval of the holders of Shares under Listing Rules 7.1 and 7.4 (this does not include an issue of fully paid ordinary Shares under the entity's 15% placement capacity without Shareholder approval); and
- iv) less the number of fully paid Shares cancelled in the 12 months.

**D** is 10%.

**E** is the number of equity securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of Shareholders under Listing Rules 7.1 or 7.4.

The effect of the Resolution will be to allow the Company to issue equity securities under Listing Rule 7.1A without using the Company's 15% placement capacity under Listing Rule 7.1.

As at 1 November 2019, the Company has on issue 245,296,846 ordinary Shares and therefore has capacity to issue:

- (a) 36,794,526 equity securities under Listing Rule 7.1; and
- (b) subject to Shareholder approval being sought under this Resolution, 24,529,684 equity securities under Listing Rule 7.1A.

The issue price of the equity securities issued under Listing Rule 7.1A will be determined at the time of issue. The minimum price at which the equity securities which are the subject of this Resolution will be issued is 75% of the volume weighted average market (closing) price (VWAP) of the Company's equity securities over the 15 days on which trades in that class were recorded immediately before either:

- the date on which the price at which the equity securities are to be issued is agreed; or

- if the equity securities are not issued within 5 ASX trading days of the date above, the date on which the securities are issued.
- If this Resolution is approved, and the Company issues equity securities under Listing Rule 7.1A, the existing Shareholders' voting power in the Company will be diluted. There is a risk that:
- the market price for the Company's equity securities may be significantly lower on the issue date than on the date of the approval of this Resolution; and
- the equity securities issued under Listing Rule 7.1A may be issued at a price that is at a discount (as described above) to the market price for the Company's equity securities on the issue date,

which may have an effect on the amount of funds raised by the issue.

The following table shows the dilution of existing Shareholders on the basis of:

- the market price of the Company's ordinary Shares and the number of ordinary securities as at 18 September 2019;
- two examples where the number of ordinary Shares on issue ("A") has increased, by 50% and 100%. This may occur as a result of issues of ordinary Shares that do not require Shareholder approval (for example, pro-rata entitlements issues) or as a result of future specific placements under Listing Rule 7.1 that are approved by Shareholders; and
- two examples of where the issue price of ordinary securities has decreased by 50% and increased by 100% as against the market price as at 18 September 2019.

Variable "A" ASX Listing Rule 7.1A.2		\$0.009 50% decrease in issue price	\$0.018 issue price*	\$0.036 100% increase in issue price
"A" is the number of Shares on issue, being 245,296,846 ** Shares	10% voting dilution	24,529,685 Shares	24,529,685 Shares	24,529,685 Shares
	Funds raised	\$220,767.16	\$441,534.31	\$883,068.62
"A" is a 50% increase in Shares on issue, being 367,945,269 ** Shares	10% voting dilution	36,794,527 Shares	36,794,527 Shares	36,794,527 Shares
	Funds raised	\$331,150.73	\$662,301.47	\$1,324,602.94
"A" is a 100% increase in Shares on issue, being 490,593,692** Shares	10% voting dilution	49,059,369 Shares	49,059,369 Shares	49,059,369 Shares
	Funds raised	\$441,534.32	\$883,068.64	\$1,766,137.28

#### Notes:

- The table assumes that the Company issues the maximum number of equity securities available under Listing Rule 7.1A.
- The table assumes that no options are exercised in ordinary Shares before the date of the issue of equity securities under Listing Rule 7.1A.
- The table does not show an example of dilution that may be caused to a particular Shareholder by reason of issues of equity securities under Listing Rule 7.1A based on that Shareholder's holding at the date of this Notice.
- The table shows the effect of an issue of equity securities under Listing Rule 7.1A, not under the Company's 15% placement capacity under Listing Rule 7.1.
- The issue of equity securities under the Listing Rule 7.1A consists only of ordinary Shares. If the issue of equity securities includes options, it is assumed that those options are exercised into ordinary Shares for the purposes of calculating the voting dilution effect on existing Shareholders.

\* Based on the closing price of the Company's Shares on ASX on 18 September 2019.

\*\* Based on the Company's Share structure as at 1 November 2019.

If this Resolution is approved the Company will have the ability to issue up to 10% of its issued capital without further Shareholder approval and therefore allow it to take advantage of opportunities to obtain further funds if required and available in the future.

As at the date of this Notice, the Company has not formed an intention to offer any equity securities under Listing Rule 7.1A to any particular person or at any particular time. The total amount that may be raised by the issue of equity securities under Listing Rule 7.1A will depend on the issue price of the equity securities which will be determined at the time of issue. In some circumstances, the Company may issue equity securities under Listing Rule 7.1A for non-cash consideration (for example, in lieu of cash payments to consultants, suppliers or vendors). While the Company has not formed an intention to offer any equity securities under Listing Rule 7.1A, some of the purposes for which the Company may issue equity securities under Listing Rule 7.1A include (but are not limited to):

- raising funds to further develop the Company's business;
- raising funds to be applied to the Company's working capital requirements;
- acquiring assets. In these circumstances, the issue of the ordinary Shares may be made in substitution for the Company making a cash payment for the assets. If the Company elects to issue ordinary Shares for the purpose of acquiring assets, then the Company will release to the market a valuation of the assets prior to issuing the Shares; and
- paying service providers or consultants of the Company.

Details regarding the purposes for which any particular issue under Listing Rule 7.1A is made will be more fully detailed in an announcement to the ASX made pursuant to Listing Rule 7.1A.4 and Listing Rule 3.10.5A at the time the issue is made. The identity of the allottees of equity securities under Listing Rule 7.1A will be determined at the time the Company decides to make an issue having regard to a number of factors including:

- the capital raising and acquisition opportunities available to the Company and any alternative methods for raising funds or acquiring assets that are available to the Company;
- the potential effect on the control of the Company;
- the Company's financial situation and the likely future capital requirements; and
- advice from the Company's corporate or financial advisers.

Offers made under Listing Rule 7.1A may be made to parties including professional and sophisticated investors, existing Shareholders of the Company, clients of Australian Financial Service Licence holders and/or their nominees, or any other person to whom the Company is able to make an offer of equity securities.

The allocation policy the Company may adopt for a particular issue of equity securities under Listing Rule 7.1A and the terms on which those equity securities may be offered will depend upon the circumstances existing at the time of the proposed capital raising under Listing Rule 7.1A. Subject to the requirements of the Listing Rules and the Corporations Act, the Directors reserve the right to determine at the time of any issue of equity securities under Listing Rule 7.1A, the allocation policy that the Company will adopt for that issue.

This is the fifth occasion on which Shareholder approval has been sought under Listing Rule 7.1A, having received Shareholder approval at the 2014, 2015, 2016 and 2018 AGMs. The Company did not seek Shareholder approval under Listing Rule 7.1A in 2017.

In the 12 months preceding the date of the Meeting, the Company has issued 17,103,572 equity securities (comprising 17,103,572 ordinary Shares) representing 7.5% of the equity securities on issue at the commencement of that 12-month period. Details of each issue are set out below:

Date	Number of Shares issued	Allottee/s	Issue price	Discount to Share price at date of issue	Amount	Use of funds
1 March 2019	14,425,000	Share placement to New Gold Coast Holdings Pty Ltd	\$0.08 per Share	N/A	\$1,154,000	Share placement for the purposes of working capital
1 November 2019	2,678,572	Share placement to Sinetech Limited	\$0.28 per Share	N/A	Deemed amount of \$750,000.16	Shares issued as consideration for the Gruden Acquisition (working capital adjustment component)

This Resolution is a special Resolution. For a special Resolution to be passed, at least 75% of the votes validly cast on the Resolution by Shareholders (by number of ordinary Shares) must be in favour of this Resolution.

### Directors' recommendation

The Directors unanimously recommend that Shareholders vote **for** this Resolution. The Chair intends to vote all proxies given to the Chair in favour of this Resolution.

### Item 10 – Approval of entry into the proposed Convertible Loan Deed and issue of Shares under the Convertible Loan Deed

#### Background

As announced to ASX on 9 August 2019, the Company entered into a binding Loan Deed with Suzerain Investments Holdings Limited (**Suzerain**) dated on or about 8 August 2019 (**Loan Deed**). The Loan Deed provides that \$19 million will be loaned to the Company (as borrower) from Suzerain (as lender) in various tranches set out as follows:

- **Tranche 1:** \$8 million consisting of:
  - \$4 million recognised as already advanced pursuant to a line of credit facility letter dated on or about 16 May 2019 from Suzerain to the Company; and
  - \$4 million which was drawn down on the date of the Loan Deed;
- **Tranche 2:** \$5 million which was drawn down on 17 September 2019;
- **Tranche 3:** \$3 million which may be drawn down on or after the date the Tranche 3 Hurdle is met; and
- **Tranche 4:** \$3 million which may be drawn down on or after the date the Tranche 4 Hurdle is met.

The Company is seeking approval under Chapter 2E and item 7 of section 611 of the Corporations Act for the Company's entry into the Convertible Loan Deed as well as for the future issues of Shares to Suzerain in the event the loan under the Convertible Loan Deed is converted into Shares. If approval is obtained under this Resolution, the Company intends to enter into the Convertible Loan Deed.

Details of the material terms and conditions of the Loan Deed and the Convertible Loan Deed are summarised in Schedules 1 and 2 respectively.

#### About Suzerain

Suzerain is a company registered in the British Virgin Islands with registration number 1934540. Suzerain is a substantial Shareholder of the Company and the Company's largest Shareholder. As at the date of this Notice, Suzerain is the registered holder of 48,475,000 fully paid ordinary Shares in the Company (representing a voting power of 19.76%).

Suzerain's Associates include its controlling entities, being SilverSpoon Nominees Ltd (Suzerain's holding company), Clifford Young Warren (a Director of Suzerain and a person who acts in concert with Suzerain in relation to the affairs of the Company), LC Abelheim Ltd (an entity that acts in concert with Suzerain in relation to the affairs of the Company), Jeremy Thorpe (a Director of the Company and a person who acts in concert with Suzerain in relation to the affairs of the Company) and Dean Palmer (a Director of the Company and a person who acts in concert with Suzerain in relation to the affairs of the Company). Details of these associations are set out in the notice of initial substantial Shareholder, announced to ASX on 25 June 2019. As a result of being associated with Suzerain, each of these associates are taken to have a relevant interest of 19.76% in the Company's Shares by reason of section 608(3)(b) of the Corporations Act.

#### Obligation to seek approval for the issue of Shares to Suzerain

Under the Loan Deed, the Company is obliged to use its reasonable endeavours to seek approval under item 7 of section 611 of the Corporations Act by a requisite majority of Shareholders for entry into the Convertible Loan Deed, and the future issue of Shares to Suzerain in the event of conversion of the loan into fully paid ordinary Shares in the Company under the Convertible Loan Deed (**Proposed Conversion**), at the Company's next Annual General Meeting. This Resolution is being put to Shareholders for approval to satisfy this obligation.

#### The Company's funding arrangements

As announced to ASX on 16 May 2019, the Company entered into a \$4 million debt facility with Suzerain. This facility was used to partially repay the Company's

existing facility with Commonwealth Bank of Australia (**CBA**). In addition, the Company also announced that it was considering a proposal to conduct a fully underwritten 4-for-5 accelerated non-renounceable entitlement offer at a price of \$0.08 per Share. The proceeds of this proposed rights issue were to be used to repay Suzerain and CBA, fund the Company's ongoing working capital requirements, and pay the costs associated with the rights issue and the \$4 million loan facility with Suzerain. On 28 June 2019, the Company announced that it will not proceed with the rights issue after liaising with its major Shareholders and advisers due to a lack of underwriting support.

On 9 August 2019, the Company announced that it entered into the Loan Deed, with the proceeds of the funds raised to be used for the Company's working capital requirements, as well as restructuring costs associated with the removal of \$10 million of operational costs from the Company (e.g. redundancy payments for employees being made redundant) (unless Suzerain approves otherwise).

Upon the entry into the Loan Deed, the Company was able to draw down on a net amount of \$4 million. A further \$5 million was drawn down on 17 September 2019 when the Tranche 2 Hurdle was met. Should this Resolution (and the Resolution in Item 11 of this Notice) be passed by Shareholders and if all other requirements for draw downs set out in the Loan Deed and/or Convertible Loan Deed are met, the Company has access to funds of a further \$6 million (being Tranches 3 and 4), with such funds also to be used for working capital and removal of operational costs for restructuring.

#### Independent Expert's Opinion

The Company has appointed UHY Haines Norton Corporate Finance Pty Ltd as the Independent Expert to prepare the Independent Expert's Report, the purpose of which is to state whether or not, in its opinion, the issue of Shares to Suzerain on conversion of the loan under the Convertible Loan Deed is 'fair' and 'reasonable' to Shareholders.

The Independent Expert has concluded that the Proposed Conversion is not fair but reasonable.

The Independent Expert has assessed the value of a Share (inclusive of a premium for control) to lie in the range of \$0.044 to \$0.049 per Share, which compares to its assessed post-conversion of a Share, on a minority interest basis (assuming no conversion of the loan facility under the Convertible Loan Deed), of between \$0.004 to \$0.006 per Share. As the range of the Independent Expert's assessed value pre-entry into the Convertible Loan (inclusive of a premium for control) is greater than the range of the assessed value after entry into the Convertible Loan Deed (without conversion), the Independent Expert has concluded that the Proposed Conversion is not fair to Shareholders.

However, the Independent Expert has concluded that the benefit to the Shareholders of an improved likelihood of the Company being able to continue to operate as a going concern and fund its continued operations (including the restructuring arrangements, announced by the Company on 9 August 2019, which are anticipated to deliver annual efficiencies of approximately \$10 million annually). This and other benefits of the entry into the Convertible Loan Deed and Proposed Conversion, which are described in further detail in the Independent Expert's Report, outweigh the disadvantages (such as the Shareholders being potentially diluted upon the Proposed Conversion occurring). Accordingly, while the Independent Expert has concluded that the Proposed Conversion is not fair, it has concluded that the entry into the Convertible Loan Deed and Proposed Conversion is reasonable in the absence of a superior proposal.

A complete copy of the Independent Expert's Report is provided in Annexure A to this Notice and on the Company's website.

#### Effect of approval on the Company's capital structure

a) Current capital structure and voting power of Suzerain (and its Associates)

On the basis of no other capital issues or changes, below is a table setting out the Company's current capital structure and the possible capital structure on conversion of the loan under the Convertible Loan Deed (at a conversion price of \$0.047 per Share). It is assumed that the Company elects to defer payment of all interest able to be deferred and capitalise these amounts until the last day of the Conversion Period, being 30 June 2020.



	Fully paid ordinary Shares
Balance as at the date of this Notice before any conversion under the Convertible Loan Deed	245,296,846
Balance as at 30 June 2020 after conversion under Convertible Loan Deed in full (assuming Shareholder approval is obtained under this Resolution)	683,406,767

If the facility under the Convertible Loan Deed is fully converted, the Company will have a total of 683,406,767 Shares on issue.

#### a) Voting power of Suzerain and its Associates

The extent of the relevant interest in Shares held and the resulting voting power of Suzerain and its Associates as at the date of this Notice is as follows:

Shareholder or Associate	Relevant interest	Voting power
Suzerain Investments Holdings Limited	48,475,000 (by reason of being the registered holder)	19.76% (by reason of being the registered holder)
SilverSpoon Nominees Ltd	48,475,000 (by reason of being Associated with Suzerain)	19.76% (by reason of being Associated with Suzerain)
Clifford Young Warren	48,475,000 (by reason of being Associated with Suzerain)	19.76% (by reason of being Associated with Suzerain)
LC Abelheim Ltd	48,475,000 (by reason of being Associated with Suzerain)	19.76% (by reason of being Associated with Suzerain)
Jeremy Thorpe	48,475,000 (by reason of being Associated with Suzerain)	19.76% (by reason of being Associated with Suzerain)
Dean Palmer	48,475,000 (by reason of being Associated with Suzerain)	19.76% (by reason of being Associated with Suzerain)

The maximum voting power and the maximum increase in voting power held by Suzerain and its Associates following conversion of the loan under the Convertible Loan Deed at \$0.047 per Share and assuming no other issues of Shares is as follows:

Shareholder	Number of Shares issued to the Shareholder	Number of Shares issued to the Shareholder or their Associates post-conversion	Maximum voting power post-conversion	Maximum increase in voting power post-conversion
Suzerain Investments Holdings Limited	48,475,000	438,109,921	71.20%	51.44%
SilverSpoon Nominees Ltd	Nil	438,109,921	71.20%	51.44%
Clifford Young Warren	Nil	438,109,921	71.20%	51.44%
LC Abelheim Ltd	Nil	438,109,921	71.20%	51.44%
Jeremy Thorpe	Nil	438,109,921	71.20%	51.44%
Dean Palmer	Nil	438,109,921	71.20%	51.44%

If Shareholders do not approve this Resolution, then Shareholders should note that limited conversion is possible under the Convertible Loan Deed as Suzerain already has a voting power in the Company of 19.76%. Suzerain may only increase its voting power above 19.99% under other exemptions to section 606(1) of the Corporations Act (such as the ability to acquire an additional 3% of voting power every 6 months under item 9 of section 611 of the Corporations Act).

#### Approval in relation to item 7 of section 611 of the Corporations Act

Pursuant to section 606(1) of the Corporations Act, a person must not acquire a relevant interest in issued voting Shares in a listed company or an unlisted company with more than 50 members if the person acquiring the interest does so through a transaction in relation to securities entered into by, or on behalf of, the person and because of that transaction, that person's or someone else's voting power increases:

- from below 20% to more than 20%; or
- from a starting point that is above 20% to below 90%.

The voting power of a person in a body corporate is determined in accordance with section 610 of the Corporations Act.

The calculation of a person's voting power in a company involves determining the voting Shares in the company in which the person and the person's Associates have a relevant interest in.

A person has a relevant interest in securities of a company if they individually, or jointly:

- are the holder of the securities;
- have the power to exercise, or control the exercise of, a right to vote attached to the securities; or
- have the power to dispose of or control the exercise of a power to dispose of, the securities.

Item 7 of section 611 of the Corporations Act provides an exception to the prohibition under section 606 of the Corporations Act. This exception provides that a person may acquire a relevant interest in a company's voting Shares if Shareholders of the company approve the acquisition.

For the exemption of item 7 of section 611 of the Corporations Act to apply, Shareholders must be given all information known to the person proposing to make the acquisition or their Associates, or known to the company, that is material

to the decision on how to vote on the Resolution. In ASIC Regulatory Guide 74, ASIC has indicated what additional information should be provided to Shareholders in these circumstances.

This Resolution seeks Shareholder approval, for the purposes of item 7 of section 611 of the Corporations Act, to allow Suzerain to convert the loan facility provided under the Convertible Loan Deed in circumstances where such conversion will result in its relevant interest (and that of their Associates) increasing to more than 20%.

The following information is provided in compliance with item 7 of section 611 of the Corporations Act and ASIC Regulatory Guide 74:

- a) The identity of Suzerain, its Associates and any person who will have a relevant interest in the Shares to be allocated to Suzerain or its Associates

The Company proposes to enter into the Convertible Loan Deed and any Shares issued on conversion of the loan facility under that deed will be issued to Suzerain or its wholly-owned subsidiaries.

The identity of Suzerain is set out above under the heading "About Suzerain".

The following persons are Associates of Suzerain and will have voting power in any Shares issued under the Convertible Loan Deed:

- SilverSpoon Nominees Ltd (a company incorporated in the Republic of Mauritius and registration number of 09054 and is an Associate by reason of being a body corporate that controls all of the Shares in Suzerain);
- Clifford Young Warren (a Director of Suzerain);
- LC Abelheim Ltd (a company incorporated in the Republic of Mauritius and registration number of 084085 and is an Associate by reason of being a person with whom Suzerain acts in concert in relation to the Company's affairs);
- Jeremy Thorpe (a Director of the Company and is an Associate by reason of being a person with whom Suzerain acts in concert in relation to the Company's affairs); and
- Dean Palmer (a Director of the Company and is an Associate by reason of being a person with whom Suzerain acts in concert in relation to the Company's affairs).

This Resolution also seeks approval of the acquisition of a relevant interest by these Associates of Suzerain.

- b) Maximum extent of increase in Suzerain's (and its Associates') voting power and the maximum voting power of Suzerain (and its Associates) following



conversion of the loan facility under the Convertible Loan Deed into Shares Suzerain and its Associates have a relevant interest of 19.76% in the Company's Shares as at the date of this Notice.

The maximum extent of the relevant interests in Shares (and resulting voting power in the Company) of Suzerain and its Associates following conversion of the loan facility under the Convertible Loan Deed into Shares as well as the maximum extent of the increase in voting power are set out above in the table under the sub-heading "Voting power of Suzerain and its Associates".

The Convertible Loan Deed provides that in the event of any reorganisation of its capital in any way, the number of Shares to be issued on any conversion to Suzerain will be reorganised in the same manner as the Shares so that Suzerain and existing Shareholders are not adversely prejudiced.

- c) An explanation of the reasons for the proposed issue of Shares from conversion of the loan facility under the Convertible Loan Deed

The Company entered into the Loan Deed to provide working capital for the Company to continue its operations and allow it to restructure its business. Tranches 3 and 4 under the Loan Deed are not able to be drawn down upon unless Shareholders approve this Resolution. In addition, the Company is obligated to use reasonable endeavours to put forward this Resolution to Shareholders.

- d) When the Proposed Conversion is to occur

As outlined in the summary of the Convertible Loan Deed's terms set out in Schedule 2, Suzerain may give written notice to the Company during the Conversion Period (from the date the Convertible Loan Deed is entered into, assuming this Resolution is passed, until 30 June 2020) to convert the monies owing under the loan into Shares, to be issued to Suzerain (or its wholly owned subsidiary) within 5 business days at the issue price. The issue price (**Conversion Shares Issue Price**) is calculated as being the higher of:

- \$0.047 per Share; or
- the volume weighted average price of Shares traded on ASX during the period of 30 trading days and concluding on the trading day before the issue date of the relevant Shares.

- e) Material terms of the Proposed Conversion

The material terms of the Proposed Conversion are set out above in paragraph (d).

- f) Details of the terms of any other relevant agreement between the Company and Suzerain that is conditional on (or directly or indirectly depends on) Shareholders' approval of the Proposed Conversion

There are no other relevant agreements between the Company and Suzerain that is conditional upon Shareholder approval of the Proposed Conversion in this Resolution. However, paragraph (c) above notes that draw downs under Tranche 3 and Tranche 4 of the facility under the Loan Deed are dependent on, amongst other things, this Resolution being passed.

- g) Suzerain's intentions regarding the future of the Company if Shareholders approve this Resolution.

Suzerain has no current intention to change the Company's business. Suzerain is supportive of the current Board and its stated objectives including the reduction of operational expenses (including by way of a reduction of employment through redundancies) and the appointment of a new executive team. Suzerain has no current intention to inject further capital into the Company nor any intentions with respect to a transfer of assets between the Company and Suzerain (or its Associates). Further, Suzerain has no current intention to redeploy the assets of the Company.

- h) Suzerain's intentions to significantly change the financial or dividend distribution policies of the Company

Suzerain has no intention to change the financial or dividend distribution policies of the Company.

- i) Interests of the Directors in this Resolution

Other than Dean Palmer and Jeremy Thorpe, the Directors do not have any interest in the outcome of this Resolution other than their interests arising solely in their capacity as Shareholders of the Company (to the extent that they hold Shares).

Dean Palmer and Jeremy Thorpe are nominee directors of Suzerain and have an interest in the outcome of this Resolution. Dean Palmer and Jeremy Thorpe have abstained from making any recommendations in relation to this Resolution.

- j) The identity, qualifications and associations (with Suzerain of its Associates) of any person who is intended to become a director if Shareholders approve this Resolution

Suzerain has no intention to appoint new Directors to the Company.

## Advantages if this Resolution is approved

The key advantages to the Company if this Resolution is approved are:

- Suzerain will be able to convert the loan facility under the Convertible Loan Deed (and by extension, the loan facility under the Loan Deed) in full, reducing the amount that the Company is required to repay to Suzerain at the Repayment Date (including capitalised interest) to nil. As at the last day of the Conversion Period (being 30 June 2020) and assuming all Tranches of the loan facility under the Convertible Loan Deed were drawn down (with interest capitalised), the Company's repayment obligation is currently estimated to be approximately \$20.6 million;
- should Suzerain elect to convert the loan facility under the Convertible Loan Deed in full prior to the end of the Conversion Period, the Company will be able to apply the funds which otherwise would have been required to be repaid to Suzerain for other corporate purposes. The estimated annual savings in interest costs is currently estimated to be approximately \$1.59 million;
- available cash is able to be directed towards growth, working capital requirements and other sources and uses of funds to enhance Shareholder value.

## Key risks and disadvantages if this Resolution is approved

The key risks and disadvantages to the Company if this Resolution is approved are:

- Suzerain will be able to convert the loan facility under the Convertible Loan Deed in full to acquire voting power in the Company in excess of 20%, which will reduce the voting power of existing Shareholders (including their ability to influence decisions, such as the composition of the Board). As detailed in the table under the sub-heading "Voting power of Suzerain and its Associates", if the full amount of the loan facility (plus capitalised interest) is converted on the last day of the Conversion Period, Suzerain and its Associates would acquire a 71.20% voting power in the Company;
- if Suzerain elects to convert the loan facility under the Convertible Loan Deed in full, the issue of Shares as part of this conversion will dilute the exposure of Shareholders to the economic interests of owning Shares;
- you may not agree with the recommendation by the Directors (other than Jeremy Thorpe and Dean Palmer) and the Independent Expert's opinion that the Proposed Conversion is not fair but reasonable. You may believe that the Proposed Conversion is not fair nor reasonable, or otherwise not in your best interest or in the best interests of Shareholders; and
- the Company may be a less attractive takeover target. Any bidder for the Company under a takeover proposal would require Suzerain to support their bid in order to be successful. This may be a deterrent to future bidders. However, the Directors (other than Jeremy Thorpe and Dean Palmer) consider that Suzerain's existing 19.76% shareholding may, for all practical purposes, already be sufficient to prevent a bidder from acquiring 100% of the Company by takeover or scheme of arrangement.

## Possible scenarios on the Loan Deed depending on the outcome of Item 10 and Item 11 of this Notice

If Item 10 of this Notice is passed but not Item 11, the Company will be subject to a higher interest rate of 14% per annum (rather than 10% per annum) under the Loan Deed or Convertible Loan Deed (depending on if the Loan Deed is replaced). If Item 11 is not passed, the Company will not be able to draw down on Tranches 3 and 4 but the Company will be able to reduce its debt position by entering into the Convertible Loan Deed and converting its debt into Shares on the terms of the Convertible Loan Deed.

If Item 11 of this Notice is passed but not Item 10, the Company will not be able to enter into the Convertible Loan Deed nor draw down on Tranches 3 and 4. This means the Company will be unable to reduce its amount to be repaid to Suzerain by converting that debt into Shares under the Convertible Loan Deed. In addition, the Company will not be able to access further funding to continue its business operations and may be required to pursue other capital raising or debt options.

## Interests and recommendation of the Directors

Apart from Jeremy Thorpe and Dean Palmer, none of the other Board members have an interest in the outcome of this Resolution other than their interests arising solely in their capacity as Shareholders of the Company (to the extent that they hold Shares). Each of the Directors who holds Shares in the Company (or whose associated entities hold Shares) and is entitled to vote, will vote their Shares in favour of this Resolution.

Jeremy Thorpe and Dean Palmer have an interest in the outcome of this Resolution (by reason of being nominee directors of Suzerain) and are Associates of Suzerain (by reason of acting in concert with Suzerain in relation to the Company's affairs)

and do not make any recommendation with how to vote on this Resolution.

The Directors (other than Jeremy Thorpe and Dean Palmer) recognise that the potential conversion of the loan facility under the Convertible Loan Deed (if it is ultimately entered into if this Resolution is passed), should conversion occur, is extremely dilutive to existing Shareholders. However, at the time that the Loan Deed was entered into (which requires the Company to put forward this Resolution to ultimately enter into the Convertible Loan Deed), the Directors (other than Jeremy Thorpe and Dean Palmer (who was not on the Board at the time)) were of the view that the potential issue of those Shares was in the best interests of the Company taking into account all relevant circumstances, despite the potential for dilution. In particular, the potential issue of those Shares was proposed because the Company may not have an alternative way to meet its obligations to make cash repayments to Suzerain under the terms of the Convertible Loan Deed.

Accordingly, the Directors (other than Jeremy Thorpe and Dean Palmer) recommend that Shareholders vote in favour of this Resolution. The Directors' recommendations (other than Jeremy Thorpe and Dean Palmer) are based on the reasons set out in the section titled "Advantages if this Resolution is passed".

The Directors are not aware of any other information other than as set out in this Notice that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass this Resolution.

### **Approval in relation to Chapter 2E of the Corporations Act**

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- b) give the benefit within 15 months following such approval, unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The issue of Shares on conversion of the loan facility under the Convertible Loan Deed constitutes giving a financial benefit and subject to Shareholders passing this Resolution and the Proposed Conversion occurring, Suzerain is a related party of the Company by virtue of section 228(6) of the Corporations Act, being an entity in which it believes or has reasonable grounds to believe that it is likely to become a related party of the Company (as a controlling entity under section 228(1) of the Corporations Act). Suzerain has reasonable grounds to believe that it is likely to become a controlling entity under section 228(1) of the Corporations Act as the purpose of entry into the Convertible Loan Deed (if this Resolution is passed) is to give Suzerain the option to elect to convert the amounts owing by the Company into equity and discharge that debt.

### **Information required by Chapter 2E of the Corporations Act**

The following information is provided to Shareholders for the purposes of Chapter 2E of the Corporations Act.

- a) Identity of the related party

The party receiving the financial benefit is Suzerain, or its wholly owned subsidiaries (which there are none).

Suzerain is a related party of the Company by reason of section 228(6) of the Corporations Act, being an entity which believes (or has reasonable grounds to believe that it is likely to become a related party of the Company as a controlling entity for the purposes of section 228(1) of the Corporations Act).

Subject to the passing of this Resolution and the exercise of its rights to conversion of the loan facility under the Convertible Loan Deed, Suzerain will be a controlling entity of the Company (assuming maximum conversion). If the Convertible Loan Deed is entered into, Suzerain will be able to exercise its rights to conversion at its discretion. Suzerain's discretion to convert are reasonable grounds to believe it is likely to become a related party of the Company.

- b) Nature of the financial benefit

The nature of the financial benefit to be provided to Suzerain (assuming it proceeds with the Proposed Conversion) is the issue of Shares as outlined in the tables under the heading "Voting power of Suzerain and its Associates" in the "Effect of approval on the Company's capital structure" set out.

- c) Directors' recommendations and Directors' interests in the outcome of this Resolution

The Directors' recommendations and their interests in the outcome of this Resolution are set out under the heading "Interests and recommendation of the Directors".

- d) Valuation of the financial benefit

As set out in the Independent Expert's Report, the Independent Expert has made an assessment of the fair market value of the Company before the entry into the Convertible Loan Deed (on a controlling interest basis) and after the entry (on a minority interest basis without any Proposed Conversion occurring). See pages 27-35 of the Independent Expert's Report including details of the valuation approach, analysis and evaluation of the Independent Expert.

- e) Related party's existing relevant interest

The existing relevant interests of Suzerain and its Associates are set out in the first table under the heading "(b) Voting power of Suzerain and its Associates".

- f) Dilution effect on the Proposed Conversion on the existing Shareholders' interests

The dilutionary effect of the issue of the Shares as part of the Proposed Conversion to Suzerain (or its wholly owned subsidiaries) if this Resolution is approved is set out in the tables under the heading "Voting power of Suzerain and its Associates" in the "Effect of approval on the Company's capital structure".

- g) Other information

Other than the information set out previously and otherwise contained in this Explanatory Statement, the Company believes that there is no further information that would be reasonably required by Shareholders to consider whether or not to pass this Resolution.

### **ASX Listing Rule approval**

- a) ASX Listing Rule 7.1

Exception 16 set out in Listing Rule 7.2 provides that if an issue of securities is approved for the purposes of item 7 of section 611 of the Corporations Act, Listing Rule 7.1 and 7.1A do not apply. Accordingly, the Company is not required to seek approval for the issue of Shares as part of the Proposed Conversion under either Listing Rules 7.1 or 7.1A.

- b) ASX Listing Rule 10.11

Listing Rule 10.11 provides that a listed company must not issue equity securities to a related party without Shareholder approval. Exception 6 set out in Listing Rule 10.12 provides that if a person is a related party by reason only of a transaction which is the reason for the issue of the securities and the application of section 228(6) of the Corporations Act (which is the case here), no Shareholder approval is required. Accordingly, the Company is not required to seek approval for the issue of Shares as part of the Proposed Conversion under Listing Rule 10.11.

### **Directors' recommendation**

The Directors (except Jeremy Thorpe and Dean Palmer) recommend that Shareholders vote **for** this Resolution. The Chair intends to vote all proxies given to the Chair in favour of this Resolution.

### **Item 11 – Approval of entry into the Loan Security Background**

As set out in the Background section of Item 10 of this Explanatory Statement, the Company entered into the Loan Deed with Suzerain on or about 8 August 2019. As part of the Company's obligations under the Loan Deed, the Company is seeking approval under this Resolution to enter into the Loan Security. As this Resolution concerns the Loan Deed and the Company's funding arrangements, the disclosure set out under the heading "The Company's funding arrangements" under Item 10 is relevant to this Resolution as well.

As a precondition to the Company being able to draw down on Tranches 3 and 4 under the Loan Deed, the Company must (amongst other things) obtain the approval of Shareholders under Listing Rule 10.1 to enter into the Loan Security. The Loan Security provides that the Company grants a security interest over its present and future property to Suzerain to secure payment of all debts and monetary liabilities of the Company to Suzerain under either the Loan Deed or Convertible Loan Deed (if entered into). A summary of the Loan Security is set out at Schedule 3.

### **ASX Listing Rule 10.1**

Listing Rule 10.1 relevantly provides that an entity must ensure that it does not dispose of a substantial asset to a substantial holder in the entity (holding over 10% of the entity's voting securities) without the approval of Shareholders.

Suzerain is a Shareholder of the Company and as at the date of this Notice, Suzerain and its Associates have a relevant interest in 48,475,000 Shares (representing a relevant interest of 19.76% in the Company's Shares). Accordingly, as Suzerain and its Associates have a relevant interest of greater than 10% of the

Company's ordinary Shares, it is a person of influence for the purposes of Listing Rule 10.1.

For the purposes of the Listing Rules, a "disposal" includes the use of an asset as collateral and pursuant to Listing Rule 10.2, an asset is "substantial" if its value is 5% or more of the equity interests of the entity set out in the latest accounts given to ASX. As the entry into the Loan Security will involve the Company's use of all of its present and future property as collateral, the Company is obligated to seek the approval of Shareholders before entry into the Loan Security.

### Independent Expert

As required by Listing Rule 10.10.2, the Company has appointed UHY Haines Norton Corporate Finance Pty Ltd as the Independent Expert to report on whether the entry into the Loan Security is fair and reasonable to holders of the Company's Shares who are entitled to vote on this Resolution. This is the same Independent Expert's Report for the purposes of the Resolution under Item 10 of this Notice and the commentary set out under the heading "Independent Expert's opinion" is relevant to this Resolution as well. The Independent Expert has concluded that the entry into the Loan Security is not fair but reasonable. The Independent Expert's Report is set out at Annexure A to this Notice.

As required by Listing Rule 10.10A.3, the Company has uploaded the Independent Expert's Report onto its website at the following link <https://www.incentiapay.com/wp-content/uploads/2019/10/INP-Independent-Experts-Report.pdf>. A Shareholder may request that the Company provide it with a hard copy of the Independent Expert's Report at no cost. If Shareholders wish to exercise this right, they may email the Company Secretary, Ben Newling, at [ben.newling@incentiapay.com](mailto:ben.newling@incentiapay.com) with details of their Shareholding and an address for the Independent Expert's Report to be sent.

### Possible scenarios on the Loan Deed depending on the outcome of Item 10 and Item 11 of this Notice

If Item 10 of this Notice is passed but not Item 11, the Company will be subject to a higher interest rate of 14% per annum (rather than 10% per annum) under the Loan Deed or Convertible Loan Deed (depending on if the Loan Deed is replaced). If Item 11 is not passed, the Company will not be able to draw down on Tranches 3 and 4 but the Company will be able to reduce its debt position by entering into the Convertible Loan Deed and converting its debt into Shares on the terms of the Convertible Loan Deed.

If Item 11 of this Notice is passed but not Item 10, the Company will not be able to enter into the Convertible Loan Deed nor draw down on Tranches 3 and 4. This means the Company will be unable to reduce its amount to be repaid to Suzerain by converting that debt into Shares under the Convertible Loan Deed. In addition, the Company will not be able to access further funding to continue its business operations and may be required to pursue other capital raising or debt options.

### Directors' recommendation

The Directors (except Jeremy Thorpe and Dean Palmer) recommend that Shareholders vote **for** this Resolution. The Chair intends to vote all proxies given to the Chair in favour of this Resolution.

### Enquiries

Shareholders are asked to contact Mr Ben Newling, Company Secretary, at [ben.newling@incentiapay.com](mailto:ben.newling@incentiapay.com) if they have any queries in respect of the matters set out in these documents.

## Schedule 1 – Summary of Loan Deed

### Loan Facility

The Loan Deed provides that Suzerain will provide a loan facility to the Company for a principal amount of \$19 million. The facility is proposed to be drawn down as follows:

- **Tranche 1:** \$8 million consisting of:
  - \$4 million recognised as already advanced pursuant to a line of credit facility letter dated on or about 16 May 2019 from Suzerain to the Company (**Line of Credit Letter**); and
  - \$4 million which was drawn down on the date of the Loan Deed;
- **Tranche 2:** \$5 million which may be drawn down on or after the date the Tranche 2 Hurdle is met;
- **Tranche 3:** \$3 million which may be drawn down on or after the date the Tranche 3 Hurdle is met; and
- **Tranche 4:** \$3 million which may be drawn down on or after the date the Tranche 4 Hurdle is met.

Suzerain is not obligated to make an advance under the Loan Deed if an event of default is continuing or if an event has occurred which will constitute an event of default after time.

### Recognition of prior advances

- a) The \$4 million recognised as already advanced under the Line of Credit Letter is owing under the Loan Deed and not the Line of Credit Letter, effective as at the date of the Loan Deed.
- b) On the date of the Loan Deed, the Company must pay Suzerain:
  - i) interest (including any previously capitalised interest) on the amount owing under the Line of Credit Letter before the date of the Loan Deed; and
  - ii) all fees and other amounts owing under the Line of Credit Letter (other than the principal referred to in (a) above).
- c) With effect on the date of the Loan Deed, the Line of Credit letter is taken to be terminated without prejudice to the obligations in (a) and (b) above and the Company's obligation to pay interest under the Line of Credit Letter on any amount payable under (b) above that is not paid in accordance with that clause.

### Interest rate and repayment

If there is no event of default, the interest rate accruing under the facility provided under this Loan Deed is 10% per annum calculated daily and to be capitalised on the principal balance outstanding, unless either:

there are overdue monies payable to Suzerain under the Loan Deed; or

- Shareholders do not approve the Company entering into the Loan Security (to be dealt with at the Resolution in Item 11 of this Notice).
- For so long as interest is capitalised, the Company must repay the outstanding balance of the principal amount, all interest payable under the Loan Deed (whether capitalised or not), and all other amounts payable by the Company under the Loan Deed on 30 September 2020 (**Repayment Date**).

If an event of default has occurred there will be no capitalisation of interest and accrued and uncapitalised interest will be payable on the last day of each month during the term and on the Repayment Date. Interest on overdue monies will be payable at the overdue rate, being:

- 12% per annum, if there is a continuing event of default; or
- 16% per annum, if Shareholders have not approved the Company entering into the Loan Security (to be dealt with at the Resolution in Item 11 of this Notice).

Interest at the overdue rate must be paid on demand, and if not paid will be capitalised monthly (without limiting Suzerain's right to exercise its rights under the Loan Deed or any security interest (if applicable) following an event of default).

If Shareholders have not approved the Company entering into the Loan Security at the Meeting, and there are no overdue monies payable, then the interest rate is 14% per annum from the date of the Meeting.

### Use of funds

The Company must only use the funds raised under the Loan Deed for working capital purposes and for redundancies (unless Suzerain approves otherwise in writing).

### Unsecured loan

The loan facility under the Loan Deed will be unsecured (subject to the Company obtaining approval under Listing Rule 10.1 (being the Resolution set out at Item 11 of this Notice)).

### Repayment

The Company may repay the loan facility under the Loan Deed (in whole or part) at any time before the Repayment Date. The Company must give not less than 3 Business Days' notice of such prepayment and must:

- a) prepay in accordance with that notice; and
- b) pay any outstanding interest (whether or not capitalised) on the prepayment amount at the same time as it pays that prepayment amount.

On the Repayment Date, the Company must pay Suzerain the aggregate of:

- c) the outstanding balance principal amount;
- d) all interest payable under the Loan Deed (whether or not capitalised); and
- e) all other amounts payable by the Company under the Loan Deed.

### Event of default

It will be an event of default if any of the following events occur:

- a) the Company fails to pay an amount under the Loan Deed when due or fails to



- comply with any of its obligations under the Loan Deed;
- b) an Insolvency Event occurs with respect to the Company or the Company (or an analogous process under an overseas law is commenced);
  - c) the Company ceases or threatens to cease to carry on its business or a substantial part of its business;
  - d) any Security Interest securing amounts greater than \$100,000 becomes enforceable or is enforced over all or any of the assets and undertakings of the Company (or an analogous process under an overseas law is commenced);
  - e) a distress, attachment or other execution is levied or enforced or applied for over all or any of the assets or undertakings of the Company (or an analogous process under an overseas law is commenced);
  - f) a warranty, representation or statement made by the Company under the Loan Deed is untrue or misleading in any material respect;
  - g) an obligation of the Company in the Loan Deed becomes wholly or partly invalid, void, voidable or unenforceable;
  - h) the Company repudiates the Loan Deed or evidences an intention to repudiate it;
  - i) it is or becomes unlawful for the Company to perform any of its obligations under the Loan Deed;
  - j) if the drawn down funds are used by the Company for any use other than the approved purpose;
  - k) any debt in relation to a finance related transaction by the Company in excess of \$100,000 (other than under the Loan Deed):
    - i) is or becomes due and payable before the due date for payment as a result of an event of default or review event (however described); or
    - ii) is not paid when due (after taking into account any applicable grace period); or
  - l) an event or series of events, whether related or not, including any material adverse change in the property or financial condition of the Company, occurs which has or is likely to have a material adverse effect on:
    - i) the ability of the Company to comply with its obligations under the Loan Deed; or
    - ii) the effectiveness, priority or enforceability of the whole or any part of the Loan Deed.

If an event of default is continuing then Suzerain may by notice to the Company, declare that any remaining amounts owing are immediately due and payable.

### Representation and warranties

The Company makes the following representations and warranties:

- a) as at the date of the Loan Deed, it has full and lawful authority to execute and deliver the Loan Deed and to perform or cause to be performed its obligations under the Loan Deed;
- b) as at the date of the Loan Deed, the Loan Deed constitutes a full and binding legal obligation on it;
- c) as at the date of the Loan Deed, the Loan Deed does not conflict with or result in the breach of or default under any provision of its constituent documents (if applicable) or any material term or provision of any agreement, deed, writ, order, injunction, rule, judgment, law or regulation to which it is a party or is subject or by which it is bound;
- d) as at the date of the Loan Deed, it has obtained all authorisations and approvals necessary for it to lawfully enter into and perform its obligations under the Loan Deed;
- e) as at the date of the Loan Deed, to the best of the Company's knowledge, all information in respect of the Company given by or on behalf of the Company or its representatives to Suzerain, or released to ASX, in relation to the Company and the loan facility contemplated under the Loan Deed, is accurate and complete;
- f) its payment obligations under the Loan Deed rank at least *pari passu* with all of its unsecured and unsubordinated obligations generally;
- g) it is a corporation validly existing under the laws of the place of its incorporation;
- h) it has the power to enter into and perform its obligations under this deed, to carry out the transactions contemplated by it and to carry on its business as now conducted or contemplated;
- i) it has taken all necessary corporate action to authorise the entry into and performance of the Loan Deed and to carry out the transactions contemplated by it;

- j) the Loan Deed is valid and binding and its obligations are enforceable in accordance with its terms, subject to any necessary stamping and registration and subject to equitable principles; and
  - k) the execution and performance by the Company of the Loan Deed and the transactions contemplated by it does not and will not violate any provision of:
    - i) any laws or rules of a governmental agency (including a securities exchange);
    - ii) its constitution or constituent documents; or
    - iii) any other document or agreement binding on it or its assets;
- and, except as provided by the Loan Deed, did not and will not:
- iv) create or impose a security interest on any of its assets; or
  - v) allow a person to accelerate or cancel an obligation with respect to a finance debt, or constitute an event of default, cancellation event, prepayment event or similar event (whatever called) under an agreement relating to a finance debt, whether immediately or after notice or lapse of time or both.

### Negative pledge

The Company undertakes not to do any of the following without the prior written consent of Suzerain:

- a) create or allow to exist a Security Interest over its assets other than:
  - i) any Security Interest in favour of CBA under its respective facility agreement between amongst others, CBA and the Company dated on or about 20 February 2018 (and as amended from time to time) (**CBA Facilities**);
  - ii) any Security Interest in favour of Suzerain;
  - iii) any Security Interest arising in the ordinary course of business in connection with goods supplied to the Company and securing money on account of the unpaid purchase price for those goods that is not more than 30 days overdue;
  - iv) any bankers' liens, right of set-off or other netting arrangement arising in respect of any transactional banking facilities or derivative transactions where the relevant financial institution has not provided any Finance Debt;
  - v) a Security Interest arising in favour of a government agency (including a securities exchange) or in respect of money payable for work performed by suppliers, mechanics, workmen, repairmen or their employees and, in each case, arising in the ordinary course of business, unless (in each case) there is default in payment of money secured by that security interest; or
  - vi) any Security Interest over its assets to secure finance debts incurred under a finance or capital lease (as defined in the Australian Accounting Standards immediately before 1 January 2019) (**Finance Lease**);
- b) deposit or lend money on terms that it will not be repaid until its or another person's obligations or indebtedness are performed or discharged, nor to deposit money with or lend money to a person to whom it is, or is likely to become, actually or contingently indebted;
- c) incur any finance debt other than finance debt incurred:
  - i) under the CBA Facilities;
  - ii) under any other existing finance debt as at the date of the Loan Deed provided that the terms and amount of that finance debt have been approved by Suzerain in writing and the principal amount of such finance debt is not increased above the amount outstanding or available as at the date of the Loan Deed;
  - iii) under any non-speculative derivative transaction entered into in the ordinary course of business;
  - iv) in respect of any class order guarantees entered into by Group members pursuant to Part 2M.6 of the Corporations Act where the only members of that class order are Group members;
  - v) in connection with tax funding and sharing arrangements with Group members or any GST grouping arrangements of the Group;
  - vi) under any Finance Lease or non-real property operating lease of any asset entered into in the ordinary course of ordinary business not exceeding \$100,000 (or its equivalent) in aggregate any time;
- d) enter into an agreement with respect to the acquisition of assets on title retention terms except in the ordinary course of day-to-day trading;
- e) either in a single transaction or in a series of transactions whether related or not and whether voluntary or involuntary, dispose of any asset of the Company other than:
  - i) disposals made for market value in the ordinary course of the ordinary



trading business of the Company;

- ii) disposals of obsolete plant and equipment not required for the efficient operation of its business, on arm's length terms and at fair market value;
  - iii) disposals on arm's length terms in exchange for comparable assets;
  - iv) disposals arising as a result of the grant of Security permitted by the Loan Deed;
- f) enter into any merger, reconstruction or amalgamation; and
- g) acquire any Shares or securities, or a business or undertaking (or, in each case, any interest in any of them) or make any investment, in each case, other than in, of or to a Group member as at the date of the Loan Deed.

#### **No conversion**

The loan facility under the Loan Deed is solely a debt instrument and there are no conversion rights.

#### **Approvals required to be sought**

The Company is obligated to seek approvals:

- under item 7 of section 611 of the Corporations Act to allow the Company to enter into the Convertible Loan Deed and issue Shares to Suzerain on conversion of the loan under the Convertible Loan Deed (the subject of the approval sought under Item 10 of this Notice);
- under Listing Rule 10.1 for the Company to enter into the Loan Security (the subject of the approval sought under the Resolution under Item 11 of this Notice); and
- using reasonable endeavours (if the Loan Security is entered into) to obtain from CBA a priority agreement regulating the priority between the general security deed held by CBA over the Company's assets and the Loan Security on terms reasonable satisfactory to Suzerain.

#### **Schedule 2 – Summary of Convertible Loan Deed**

The Convertible Loan Deed is intended to replace the Loan Deed and provides for conversion rights for Suzerain. This replacement will be conditional on approval being obtained for the Resolution at Item 10 of this Notice. As such, the following sections of Schedule 1 (Summary of Loan Deed) also apply to the Convertible Loan Deed, except that any references to the "Loan Deed" should be to the "Convertible Loan Deed":

- Loan Facility;
- Interest rate and repayment;
- Event of default;
- Repayment;
- Representation and warranties;
- Negative pledge; and
- Use of funds.

The following terms also apply under the Convertible Loan Deed.

#### **Recognition of prior advances**

The Company and Suzerain agree that:

- a) the principal amounts owing under the Loan Deed are taken to be owing under the Convertible Loan Deed;
- b) the interest, as well as other amounts, owing under the Loan Deed are taken to be owing under the Convertible Loan Deed;
- c) the amounts set out above will be set-off against the amounts the Company is entitled to draw down under Tranches 1 to 4 in that order and Tranches 1 to 4 will be taken to have been drawn down by that aggregate amount; and
- d) on the date the Convertible Loan Deed is entered into, the Line of Credit Letter is taken to be terminated but without prejudice to the parties' obligations under:
  - i) (a) to (c) above;
  - ii) the Company's obligation to pay interest under the Line of Credit Letter on any amount payable under (b) and (c) above that is not paid in accordance with that clause; and
  - iii) cross-references in the Convertible Loan Deed to the Loan Deed.

#### **Security**

The loan facility under the Convertible Loan Deed is:

- a) secured by the Loan Security if Shareholders have approved the Loan Security for the purposes of Listing Rule 10.1 (the subject of Item 11 of this Notice); or
- b) otherwise unsecured.

#### **Representation and warranties**

The Company makes following further representations and warranties (in addition to the representations and warranties which are replicated in the Loan Deed) in relation to conversion of the loan facility as at the date of conversion of the loan facility:

- a) on conversion of the loan facility, the Conversion Shares will rank on an equal footing in all respects with the then existing issued Shares of the same class in the capital of the Company;
- b) there is no restriction on the issue of any Conversion Shares and the issue and allotment of any Conversion Shares will not trigger any pre-emptive or similar right held by any person;
- c) to the best of the Company's knowledge, all information in respect of the Company given by or on behalf of the Company or its representatives to Suzerain, or released to ASX, in relation to the Company and the loan facility under the Convertible Loan Deed, is accurate and complete; and
- d) there are no escrow or other provisions restricting the on-sale of all or any of any Conversion Shares by Suzerain.

#### **Conversion**

The Convertible Loan Deed also provides that during the period from the date the Convertible Loan Deed is entered into until 30 June 2020 (**Conversion Period**), Suzerain may give written notice to the Company to convert some or all of the monies owing under the loan into Shares to be issued to Suzerain (or its wholly owned subsidiary) within 5 business days at the issue price, being the higher of:

- \$0.047 per Share; or
- the volume weighted average price of Shares traded on ASX during the period of 30 trading days and concluding on the trading day before the issue date of the relevant Shares.

Suzerain may also give more than one notice to convert.

If the Company reorganises its capital before conversion or repayment of the loan facility, the number of Shares to be issued on conversion will be reorganised so that Suzerain will not receive a benefit that Shareholders will not receive and vice versa.

Immediately following the issue of any Shares on conversion of the loan facility, the Company must:

- a) apply for quotation of the converted Shares on ASX and do all things necessary to ensure that the converted Shares are quoted on such terms and conditions as are usual for quotation of securities;
- b) issue a notice which complies with section 708A(6) of the Corporations Act, or if the Company is unable to satisfy the Corporations Act requirements to give such a notice, it must lodge a prospectus with ASIC within 10 Business Days following the issue of the converted Shares that qualifies the converted Shares for resale under section 708A(11) of the Corporations Act; and
- c) take all steps to procure the delivery to Suzerain a holding statement for the converted Shares.

#### **Schedule 3 – Summary of Loan Security**

The key terms of the Loan Security are set out below.

#### **Security interest**

The Company grants a security interest over all its present and future property (**Secured Property**) to Suzerain to secure payment of all debts and monetary liabilities of the Company to Suzerain under either the Loan Deed or Convertible Loan Deed (depending on if the Loan Deed is replaced – see Schedule 2 above and Item 10 of this Notice).

#### **Priority of security interest**

- a) The Company and Suzerain agree that the security interest granted under the Loan Security takes priority over all other security interests granted by the Company other than any security interests permitted under the Loan Deed or Convertible Loan Deed and any security interest mandatorily preferred by law.
- b) The security interests granted under the Loan Security have the same priority in respect of all debts of the Company owing under the Loan Deed or Convertible Loan Deed (depending on which is entered into) (**Secured Monies**), including future advances.
- c) Nothing in the Loan Deed is to be construed as an agreement or consent by Suzerain to subordinate the security interest granted under the Loan Security in favour of any person.

### Discharge of security interests

Subject to the terms of the Loan Deed or Convertible Loan Deed (depending on which is entered into), at the written request of the Company, Suzerain must discharge and release the security interests granted under the Loan Security and re-transfer to the Company its right and interest in all property transferred to Suzerain as part of the security interest under the Loan Security (being Accounts and Chattel Paper which are not, or cease to be revolving assets) if the Secured Monies have been fully and finally paid and if the Company has performed all its obligations under the Loan Security, and Loan Deed or Convertible Loan Deed (depending on which is entered into).

### Restricted Dealings

- a) The Company may not grant a Security Interest over any of its Secured Property or dispose of Secured Property.
- b) The Company must do anything reasonably necessary to ensure that a third person cannot acquire a Security Interest in any Secured Property (except as permitted under the Loan Deed).

### Enforcement

On the occurrence of an event of default (under the Loan Deed), but only while it is continuing, Suzerain may:

- a) declare that the Secured Monies are immediately due and payable;
- b) declare that the Secured Moneys are payable on demand;
- c) terminate or suspend all or any obligations of Suzerain under the Loan Deed or Convertible Loan Deed (depending on which is entered into);
- d) enforce the security interests of the Company granted under the Loan Security; and/or
- e) exercise any power conferred on Suzerain under the Loan Security and/or the Loan Deed or Convertible Loan Deed (depending on which is entered into).

On enforcement of a security interest of the Company granted under the Loan Security, the Company will have no right to deal, for any purpose, with any of its Secured Property, other than by or through Suzerain, a Controller or an attorney appointed under the Loan Security.

### Appointment of Controller

While an event of default is continuing, Suzerain may at any time:

- a) appoint any person or any two or more persons jointly, or severally, or jointly and severally to be a receiver or a receiver and manager of the Secured Property (**Controller**);
- b) appoint another Controller in addition to or in place of any Controller;
- c) remove or terminate the appointment of any Controller at any time and on the removal, retirement or death of any Controller, appoint another Controller and, at any time give up, or re-take, possession of the Secured Property;
- d) fix the remuneration and direct payment of that remuneration and any costs, charges and expenses of a Controller out of the proceeds of any realisation of the Secured Property.

### Powers of Controller

The Controller has broad powers to manage and carry on the business of the Company (including to make decisions in relation to the conduct of its business as it sees fit). The following are examples of the powers the Controller (but is not an exhaustive list):

- a) manage or enter into possession or assume control of the Secured Property;
- b) accept the surrender of, grant or renew any lease or licence in respect of the use or occupation of Secured Property (on any terms that Suzerain or the Controller thinks fit);
- c) sell any part of the Secured Property (on any terms that Suzerain or the Controller thinks fit);
- d) grant any person an option to purchase any of the Secured Property;
- e) acquire any interest in any property in the name of, or on behalf of the Company, which forms part of the Secured Property;
- f) carry on or concur in carrying on any business of the Company in respect of that Secured Property;
- g) to raise or borrow money, in the name of or on behalf of the Company, from Suzerain or any person approved by Suzerain in writing (and secure that money in priority to, equal with or after the Security Interests granted under the Loan Security;
- h) to give guarantees;
- i) to make or accept compromises or arrangements;

- j) do anything that the Company can do in relation to the Secured Property;
- k) issue Shares in the Company;
- l) employ or discharge any person as employee, contractor, agent, professional adviser or auctioneer for the purposes of the Loan Security;
- m) do anything incidental to the exercise of any power; and
- n) delegate any powers of the Controller.

### Appointment of Attorney

The Company appoints Suzerain, each Controller (if any has been appointed) and each officer of Suzerain, severally as its attorney to do any of the following after an event of default (so long as such default is continuing) to:

- a) do anything which ought to be done by the Company under the Loan Security;
- b) do anything which ought to be done by the Grantor in respect of its Secured Property under the Loan Security;
- c) exercise any right, power, authority, discretion or remedy of the Company under the Loan Security or any agreement forming part of its Secured Property;
- d) do anything which, in the reasonable opinion of Suzerain, the Controller or Attorney, is necessary or expedient for securing or perfecting a security interest of the Company granted under the Loan Security;
- e) execute in favour of Suzerain any legal mortgage, transfer, assignment and any other assurance of any of the Secured Property and may send any instructions, messages or communications by which the Secured Property can be transferred or otherwise dealt with;
- f) execute deeds of assignment, composition or release in respect of the Secured Property;
- g) sell or otherwise part with the possession of any of the Secured Property; and
- h) generally, do any other thing, whether or not of the same kind as those set out in paragraphs (a) to (g) above, which in the reasonable opinion of Suzerain, the Controller or Attorney is necessary or expedient:
  - i) to more satisfactorily secure the Secured Property; or
  - ii) in relation to any of the Secured Property.

The Attorney may, at any time, for any of the purposes in (a) to (h) above, appoint or remove any substitute or delegate or sub-attorney.

### Enforceability and obligations

- a) The Security Interest granted by the Company under the Loan Security is enforceable and unconditional in all circumstances.
- b) The obligations of the Company and its Security Interests granted under the Loan Security are not released, discharged or otherwise affected by any fact, matter or circumstance which may affect the priority or enforceability of such obligations.

## Glossary

**Account** has the meaning given to it in the PPSA.

**AEDT** means Australian Eastern Daylight Time as observed in Sydney, New South Wales.

**Annual Financial Report or Annual Report** means the 2019 annual report to Shareholders for the period ended 30 June 2019 as lodged by the Company with ASX on 11 September 2019.

**Annual General Meeting or AGM or Meeting** means an annual general meeting of the Company and, unless otherwise indicated, means the meeting of the Company's members convened by this Notice of Meeting.

**ASIC** means Australian Securities and Investment Commission.

**Associate** has the meaning given to it by the ASX Listing Rules and when used in the context of Item 10 of this Notice, has the meaning given to it under the Corporations Act.

**Attorney** means an attorney appointed under the Loan Security.

**ASX** means ASX Limited ACN 008 624 691 or the financial market operated by it, as the context requires.

**ASX Listing Rules or Listing Rules** means the official ASX Listing Rules of the ASX and any other rules of the ASX which are applicable while the Company is admitted to the official list of the ASX, as amended or replaced from time to time, except to the extent of any express written waiver by the ASX.

**Auditor's Report** means the Auditor's Report of KPMG dated 11 September 2019 as included in the Annual Financial Report.

**Board** means the current board of Directors of the Company.

**Business Day** means:

- a) generally, a day on which trading takes place on the stock market of ASX; or
- b) in the context of the Loan Deed, Convertible Loan Deed and Loan Security, means a day on which banks are open for business excluding Saturdays, Sundays and public holidays in Sydney, Australia.

**CBA** means Commonwealth Bank of Australia ABN 48 123 123 124.

**CBA Facilities** means the facility agreement between amongst others, CBA and the Company dated on or about 20 February 2018 (and as amended from time to time).

**Chair** means the person chairing the Meeting.

**Chattel Paper** has the meaning given to it in the PPSA.

**Closely Related Party** of a member of the KMP means:

- a) a spouse or child of the member;
- b) a child of the member's spouse;
- c) a dependent of the member or of the member's spouse;
- d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the Company;
- e) a company the member controls; or
- f) a person prescribed by the *Corporation Regulations 2001* (Cth).

**Company** means IncentiaPay Ltd ACN 167 603 992.

**Constitution** means the Company's constitution.

**Controller** means a receiver or a receiver and manager of the Secured Property.

**Conversion Shares** means the Shares to be issued on conversion of the loan facility under the Convertible Loan Deed, each issued at the Conversion Shares Issue Price.

**Conversion Shares Issue Price** means the higher of:

- \$0.047 per Share; or
- the volume weighted average price of Shares traded on ASX during the period of 30 trading days and concluding on the trading day before the issue date of the relevant Shares.

**Convertible Loan Deed** means the convertible loan deed to be entered into between the Company and Suzerain on the terms set out in Annexure A to the Loan Deed and summarised at Schedule 2 of this Notice.

**Corporations Act** means the *Corporations Act 2001* (Cth) as amended or replaced from time to time.

**Director** means a current director of the Company.

**Directors' Report** means the report of Directors as included in the Annual Financial Report.

**Dollar or "\$"** means Australian dollars.

**Explanatory Statement** means the explanatory statement accompanying this Notice of Meeting.

**Finance Debt** includes any indebtedness (present or future, actual or contingent) in relation to money borrowed or raised or any other financing (other than, amongst other things, any receivables to the extent that they are sold or discounted on a non-recourse basis or an obligation under a lease which would be classified as an operating lease pursuant to the Australian accounting standards immediately before 1 January 2019).

**Finance Lease means** a finance or capital lease (as defined in the Australian accounting standards immediately before 1 January 2019).

**Group** means the collective reference to the Company and its Subsidiaries for the time being.

**Gruden Acquisition** means the Company's acquisition of the business assets of The Gruden Group Limited (details of which were set out in the Company's 2018 notice of Extraordinary General Meeting announced to ASX on 7 March 2018).

**Independent Expert** means UHY Haines Norton Corporate Finance Pty Ltd.

**Independent Expert's Report** means the report prepared by the Independent Expert and set out in Annexure A to this Notice.

**Insolvency Event** means any of the following events:

- a) an order is made, or a Resolution is passed for the winding up, dissolution or administration of the Company;
- b) proceedings or arrangements are instituted for the liquidation of, or a liquidator or provisional liquidator is appointed to, the Company;
- c) a receiver, a receiver or manager, an administrator or a similar officer is appointed over or a distress or execution is levied over any of the assets of the Company;
- d) the Company suspends payment of its debts or is unable to pay its debts as and when they fall due;
- e) the Company makes or offers to make an arrangement with its creditors or a class of them;
- f) the Company:
  - i) is, or under legislation presumed or taken to be, insolvent (other than as the result of a failure to pay a debt or claim the subject of a good faith dispute); or
  - ii) stops or suspends or threatens to stop or suspend payment of all or a class of its debts.

**KMP** means key management personnel (including the Directors) whose remuneration details are included in the Remuneration Report.

**Line of Credit Letter** means the line of credit facility letter dated on or about 16 May 2019 from Suzerain to the Company.

**Loan Deed** means the loan deed between the Company and Suzerain dated on or about 8 August 2019 and summarised at Schedule 1 of this Notice.

**Loan Security** means the general security deed to be entered into between the Company and Suzerain in the form set out at Annexure B of the Loan Deed and summarised at Schedule 3 of this Notice.

**March Securities** means the 14,425,000 Shares issued on 1 March 2019.

**Notice or Notice of Meeting or Notice of Annual General Meeting** means this notice of Annual General Meeting dated 20 November 2019 including the Explanatory Statement.

**November Securities** means the 2,678,572 Shares issued on 1 November 2019.

**Option** means an option to acquire a Share.

**PPSA** means the *Personal Property Securities Act 2009* (Cth) as amended from time to time.

**Proposed Conversion** means future issue of Shares to Suzerain in the event of conversion of the loan into fully paid ordinary Shares in the Company under the Convertible Loan Deed.

**Proxy Form** means the Proxy Form attached to this Notice of Meeting.

**Remuneration Report** means the remuneration report as set out in the Annual Financial Report.

**Repayment Date** means 30 September 2020.

**Resolutions** means the resolutions set out in this Notice of Meeting, or any one of them, as the context requires.

**Restricted Voter** means a member of the Company's KMP and any Closely Related Parties of those members.

**Secured Monies** means all debts of the Company owing under the Loan Deed or Convertible Loan Deed (depending on which is entered into).

**Secured Property** means all of the Company's present and future property.

**Securities** mean Shares and/or Options (as the context requires).

**Security Interest** means a security interest (in whatever form, including a security interest pursuant to sections 12(1) and 12(2) of the PPSA but excluding a deemed security interest pursuant to section 12(3) of the PPSA).

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a holder of a Share.

**Subsidiary** has the meaning given to it in the Corporations Act, but as if body corporate includes any entity.

**Suzerain** means Suzerain Investments Holdings Limited, a company registered in the British Virgin Islands with registration number 1934540.

**Tranche 1** has the meaning given to it in Schedule 1.

**Tranche 2** has the meaning given to it in Schedule 1.

**Tranche 3** has the meaning given to it in Schedule 1.

**Tranche 3 Hurdle** means:

a) in the context of the Loan Deed:

- i) the Company's Shareholders approving the Convertible Loan Deed pursuant to item 7 of section 611 of the Corporations Act; and
- ii) the Company's Shareholders approving the Company's entry into the Loan Security in accordance with Listing Rule 10.1; and
- iii) the Company's net operating cash flow for the period from the budget commencement date to 1 December 2019 not being less than 90% of the forecast net operating cash flow for that period specified in the budget; or

b) in the context of the Convertible Loan Deed, the same meaning as in (a) above except excluding (a)(i).

**Tranche 4** has the meaning given to it in Schedule 1.

**Tranche 4 Hurdle** means:

a) in the context of the Loan Deed:

- i) the Company's Shareholders approving the Convertible Loan Deed pursuant to item 7 of section 611 of the Corporations Act; and
- ii) the Company's Shareholders approving the Company's entry into the Loan Security in accordance with Listing Rule 10.1; and
- iii) the Company's net operating cash flow for the period from the budget commencement date to 1 January 2020 not being less than 90% of the forecast net operating cash flow for that period specified in the budget; or

in the context of the Convertible Loan Deed, the same meaning as in (a) above except excluding (a)(i).

**VWAP** means the volume weighted average price, with respects to the price of Shares.



## ANNEXURE A



INDEPENDENT EXPERT'S REPORT

# INCENTIAPAY LIMITED

Prepared for the directors of IncentiaPay Limited  
in relation to the proposed issue of convertible loan

15 November 2019

The Directors  
IncentiaPay Limited  
68 Harrington St,  
THE ROCKS NSW 2000

Dear Directors,

## ***PROPOSED ISSUE OF CONVERTIBLE LOAN***

### **Introduction**

- IncentiaPay Limited (IncentiaPay, you or the Company) is seeking shareholder approval to raise \$19 million via the issue of convertible debt (the Loan) to a certain party (the Lender) (the Proposed Transaction).
- IncentiaPay is an integrated loyalty solutions provider using digital and marketing programs that enable businesses to attract and engage consumers across multiple outlets. The Proposed Transaction will enable the company to fund its working capital needs and to finance announced restructuring of its business operations to reduce operational costs.
- As announced to the Australian Securities Exchange (ASX) on 9 August 2019, the Company has entered into binding loan deed (Loan Deed) with Suzerain Investment Holdings Limited (Suzerain), (the Lender). Suzerain is a related party of IncentiaPay.
- As the Proposed Transaction could, upon potential conversion of the Loan, give rise to Suzerain gaining a substantial shareholding and due to the proposed issue of the Loan constituting a related party transaction, the Directors of IncentiaPay have sought an independent expert report to assist the non-associated shareholders of IncentiaPay (the Non-associated Shareholders) to assess the merits of the Proposed Transaction.
- There is also a requirement for an independent expert's report pursuant to the provisions of the ASX Listing Rule 10.1. Listing Rule 10.1 provides that the approval of shareholders is required when an entity proposes to dispose of or agree to dispose of a substantial asset to either a Related Party or a substantial shareholder. The ASX deems the granting of a security interest over an asset to be a disposal of that asset. As such, the granting of security over the shares in IncentiaPay for the ultimate benefit of the Lender under the terms of the Loan is deemed to be a disposal of a substantial asset under Listing Rule 10.1.
- UHY Haines Norton Corporate Finance Pty Ltd (UHYHNCF) has been engaged to prepare an independent expert's report setting out whether, in its opinion, the Proposed Transaction is fair and reasonable to the Non-associated Shareholders and to state the reasons for that opinion. In preparing our report, we have had regard to the Corporations Act 2001 (Cth) (the Corporations Act) and Australian Securities and Investment Commission (ASIC) Regulatory Guide 111.
- We note that where a potential issue of shares is approved under item 7 of section 611 which would otherwise be prohibited under section 606 of the Corporations Act and the effect on the company shareholding is comparable to a takeover bid, RG 111 states that the transaction should be considered as if it was a takeover bid. Therefore, due to the potential for Suzerain to increase its relevant interests in IncentiaPay (upon the potential future conversion of the Loan), we have evaluated the Proposed

Transaction similarly to that of a takeover bid and formed an opinion as to whether the Proposed Transaction is “fair and reasonable”. We note that this is the same form of opinion that is required to be provided in accordance with the Related Party transaction provisions contained in sections 218 to 221 of the Corporations Act and under Listing Rule 10.1.

- This letter contains a summary of the opinion and main conclusions of UHYHNCf and is extracted from the full independent expert’s report, a copy of which (including this summary letter) will accompany the Notice of General Meeting and Explanatory Memorandum (the Notice of Meeting) to be sent to shareholders on, or about 22 October 2019.

## SUMMARY OF OPINION

### The Proposed Transaction is Not Fair but Reasonable

Our assessment of the Proposed Transaction has been undertaken in accordance with the principles of ASIC RG111. The reasons for our opinion are set out below and should be read in conjunction with our detailed report which sets out our scope and findings.

### The Proposed Transaction is not fair

To assess the fairness of the Proposed Transaction we have considered the value of a share in IncentiaPay prior to the Proposed Transaction on a controlling interest basis and compared this to the assessed value of a share in IncentiaPay on a minority interest basis immediately post the Proposed Transaction.

We have assessed the pro forma value of a share in IncentiaPay immediately post the Proposed Transaction (on a minority interest basis) under two scenarios - assuming the full conversion of the Loan and assuming that the Loan are not converted.

We have assessed the fair market value of a share in IncentiaPay (on a controlling interest basis) immediately prior to the transaction (8 August 2019) to be in a range from \$0.044 to \$0.049 with a preferred (midpoint) value of \$0.046.

We have assessed the potential value of a share in IncentiaPay immediately post the Proposed Transaction (on a minority interest basis) assuming the full conversion of the Loan to be in a range from \$0.043 to \$0.044 with a preferred (midpoint) value of \$0.043 and assuming that the Loan are not converted to be in a range from \$0.004 to \$0.006 with a preferred (midpoint) value of \$0.005.

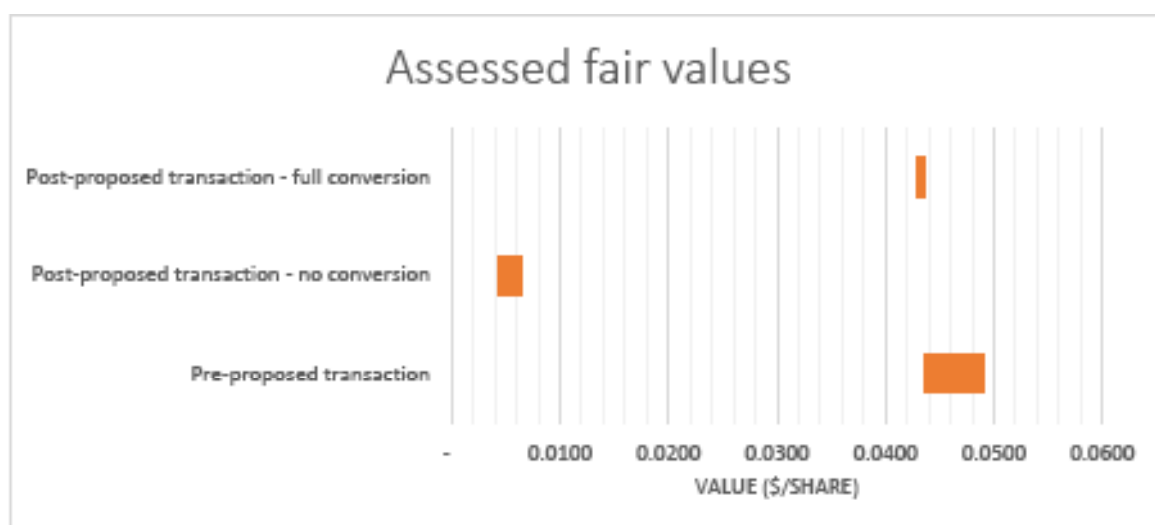


Figure 1 – Assessed Fair Values of IncentiaPay shares

On the basis that under each of the scenarios considered, the assessed value of a share in IncentiaPay prior to the Proposed Transaction on a controlling interest basis is greater than our valuation range for a fully paid ordinary share in IncentiaPay immediately post the Proposed Transaction on a minority interest basis, **we consider that it is not fair.**

### **The Proposed Transaction is reasonable**

In accordance with RG111.12, if an offer is considered to be fair it is also considered to be reasonable. However, an offer may also be considered to be reasonable, if despite not being considered fair, the expert considers that there are sufficient reasons for the relevant security holders to accept the offer, in the absence of a superior proposal.

We consider the Proposed Transaction to be reasonable for the following reasons.

**The Proposed Transaction provides IncentiaPay with a level of certainty regarding its ability to fund continued operations, including announced restructuring arrangements which are anticipated to deliver annual efficiencies of approximately \$10mn annually<sup>1</sup>.**

However, if the Non-associated Shareholders decide not to vote in favour of the Proposed Transaction, there is a high likelihood that IncentiaPay will become insolvent without raising new capital or seeking an alternative source of funding.

### **Most cost effective option relative to available funding alternatives identified as part of a strategic review by management**

As part of a strategic review, IncentiaPay considered a range of funding options before deciding the Convertible Loan issue to be the most cost effective form of finance available.

Debt finance is typically cheaper than issuing equity or hybrid finance instruments and is non-dilutive. However, IncentiaPay has not been able to secure conventional debt funding of sufficient size due to continued operating losses and insufficient tangible assets to provide adequate security.

An alternative strategy considered was to issue new equity via a capital raising. Although this strategy could potentially improve liquidity, the pricing of an equity raising would likely be at a significant discount to IncentiaPay's recent traded share price and therefore is potentially more dilutive to existing shareholders having regard to the terms of the Convertible Loan. In addition, the cost of an equity capital raising could be higher than the costs associated with the Proposed Transaction, further reducing shareholder value if this option was pursued at this time.

Therefore, based on our discussions with management, we are not aware of any alternative proposals which may provide a greater benefit to the Non-associated Shareholders at the date of this report.

### **The key terms of the Loan have been negotiated between IncentiaPay and the Lender on an arm's length basis**

In determining the key terms of the Loan, IncentiaPay considered recent Convertible Loan issued by companies of a similar size. A direct comparison of the terms attached to the Convertible Loan issued by IncentiaPay to the terms of Convertible Loan which have been issued by other companies is somewhat limited due to the convertible nature of the Loan and the relative prospects and associated risk relating to the issuer companies. However, our analysis indicates that when compared to other Convertible Loan issued by companies listed on the ASX over the past three years, the coupon attached to the Loan of 10% is within the range of (and not inconsistent with) coupon rates observed in other recent convertible debt issues.

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<sup>1</sup> As disclosed in the ASX announcement Titled "Funding, Results and Organisational Update" dated 9 August 2019



IncentiaPay explored a range of potential financing options and engaged with a range of potential investors as part of the finance raising process before deciding on the Proposed Transaction. Through this process IncentiaPay negotiated the terms of the Loan with potential investors, including Suzerain (being an experienced investor with existing knowledge of IncentiaPay's assets). These negotiations were conducted over a number of weeks before final terms were agreed, subject to Board approvals. No party was compelled to accept the proposed terms under any position of duress therefore the agreed terms are considered to be reflective of available market rates of return.

**The Loan are convertible into shares in IncentiaPay at an exercise price of \$0.047 per share, being a 31% and 24% premium to the 5 day and 30 day volume weighted average price (VWAP) of IncentiaPay immediately prior to the transaction (8 August 2019), respectively**

The conversion price attached to the Loan is \$0.047 per share which reflects a 31% and 24% premium when compared to the 5 day and 30 day VWAP of IncentiaPay at 8 August 2019, being prior to the announcement of the Proposed Transaction. The existence of a premium above the most recent traded price of IncentiaPay shares is considered to be a benefit to the Non-associated Shareholders.

We also note that any decision to convert the Loan is likely only to be made if the share price of IncentiaPay is above the exercise price attached to the Loan, being above \$0.047 per share. In this event, all shareholders would be considered to have benefited from the increase in the share price. Further, we note that if the Loan are converted, the debt associated with the Loan is consequently extinguished and the level of gearing will decrease to nil.

#### **Ability for IncentiaPay to redeem the Loan and seek alternate financing**

If IncentiaPay's share price increases during the convertibility timeframe, funds may potentially be able to be raised by IncentiaPay at a lower cost to existing shareholders either through the increased ability to secure conventional debt funding or through being able to issue equity at a higher share price (and / or lower cost) than is currently considered possible. In such an event, the Company can elect to redeem the Loan.

We note that whilst this may trigger the conversion of the Loan by the Lender, it removes future optionality available to the Lender at the expense of the Non-associated Shareholders and also reduces aggregate coupon payments and the quantum of any additional Success Payment due to early conversion or redemption.

#### **Suzerain's interest in IncentiaPay will increase if it exercises the right to convert the Loan into shares in IncentiaPay**

Only if Suzerain exercises its conversion rights will additional shares be issued to it. We note that if Suzerain exercises its conversion rights in full, its holding in IncentiaPay could increase its holding to approximately 71.48% (from 19.98%), if no other shares are issued.

#### **Restricted ability of the Lender to transfer the Loan to third parties**

The Lender is not entitled to transfer or assign any of its rights under the Loan Deed without the prior written consent of the Company.

As such, this term seeks to protect the interests of the Company and the Non-associated Shareholders by restricting the ability of any party gaining a substantial holding in IncentiaPay via the election of the Lender to transfer the Loan.

#### **By obtaining shareholder approval under Listing Rule 7.1, the Company will retain the flexibility to issue up to 25% of its issued capital, if required, in the next 12 months without the need to obtain further shareholder approval**

As shareholder approval is being sought pursuant to item 7 of section 611 of Corporations Act, the issue of Loan to Suzerain will not be included in the calculation of the Company's annual 15% placement capacity pursuant to Listing Rule 7.1 or its 10% placement capacity pursuant to Listing Rule 7.1A.

**If the Proposed Transaction is not accepted, the IncentiaPay share price may be adversely impacted**

If the Proposed Transaction is not approved we consider that the share price of IncentiaPay could be adversely impacted, having regard to the perceived ability of IncentiaPay to be able to fully fund its announced restructuring and ongoing operations.

**We have also considered the potential disadvantages to the Non-associated Shareholders if the Proposed Transaction is approved but consider that the benefits to the Non-associated Shareholders outweigh the potential disadvantages. A summary of the potential disadvantages considered includes:**

- The potential increased shareholding of Suzerain (if the Loan are converted) may be deemed to result in increased influence without a control premium having been paid.
- The Loan are to be secured through a registered general security interest over the assets of the Company. If IncentiaPay is unable to repay the Loan upon the maturity date, then the Non-Associated Shareholders may lose the ability to benefit from the Company's assets, either in-part or in full.
- Existing shareholders' interests will be diluted upon potential conversion of the Loan, albeit conversion will mean the share price has increased considerably from the current traded share price;
- The issue of Loan provides option value to the Lender which reduces equity value to the Non-associated Shareholders; and
- There is no opportunity for the Non-associated Shareholders to participate in the Proposed Transaction.

After consideration of the aforementioned factors, in our opinion the advantages of the Proposed Transaction outweigh the potential disadvantages. **Therefore, in the absence of a superior proposal, we consider that the Proposed Transaction is reasonable to the Non-associated Shareholders.**

**Other matters**

In preparing this independent expert's report we have considered relevant regulatory guides issued by ASIC, with particular reference to RG111, RG112 Independence of experts and Australian Professional and Ethical Standard (APES) 225 Valuation Services.

The decision to accept or not to vote in favour of the Proposed Transaction is a matter for individual shareholders based on each shareholder's view as to value, their expectations about future market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. In particular, taxation consequences may vary from shareholder to shareholder. If in any doubt as to the action they should take in relation to the Proposed Transaction, shareholders may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist in this assessment.

This independent expert's report has been prepared solely for the benefit of the Directors of IncentiaPay and for the benefit of the Non-associated Shareholders. Neither UHYHNCF nor its employees, officers and agents undertake responsibility to any person, other than the Directors of IncentiaPay or the Non-associated Shareholders, in respect of the independent expert's report, including any errors or omissions howsoever caused.

IncentiaPay has indemnified UHYHNCF and its employees, officers and agents against any claim, liability, loss or expense, cost or damage, including legal costs on a solicitor client basis, arising out of reliance on any information or documentation provided by IncentiaPay, which is false and misleading or omits any material particulars or arising from a failure to supply relevant documentation or information.

Our assessment was completed using available information as at 15 November 2019. We have reviewed publicly available information subsequent to 15 November 2019 to the date of this letter and do not consider this to alter our opinion presented above.

A draft of this report (excluding our consideration of the merits of the Proposed Transaction) was provided to the Directors of IncentiaPay for factual checking on 9 September 2019 and a final draft (excluding our consideration of the merits of the Proposed Transaction) was provided to IncentiaPay on 15 November 2019.

This letter must be read in conjunction with the remainder of this independent expert's report, including the appendices attached.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Vikas Gupta', with a long, sweeping horizontal stroke extending to the right.

**Vikas Gupta**

Director

**UHY Haines Norton**

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# OVERVIEW OF THE PROPOSED TRANSACTION

IncentiaPay has entered into Subscription Agreements with Suzerain pursuant to which the Lender has agreed (subject to certain shareholder approvals) to provide IncentiaPay with required debt funding via the issue of the Convertible Loan.

The total face value of the Convertible Loan proposed to be issued is \$19 million.

IncentiaPay has agreed to put the Proposed Transaction to the Non-associated Shareholders and the Directors of IncentiaPay who are independent for the purposes of the Proposed Transaction have unanimously recommended that Non-associated Shareholders vote in favour of the Proposed Transaction in the absence of a superior proposal.

The Directors of IncentiaPay have engaged UHYHNCF to prepare an independent expert's report setting out whether, in its opinion, the Proposed Transaction is fair and reasonable to the Non-associated Shareholders and to state reasons for that opinion.

## Use of Funds

The funds are to be used to fund the working capital requirements of IncentiaPay, and to finance announced restructuring of its business operations to reduce operational costs.

## Terms of the Loan

Full details of the Loan is provided in the Notice of Meeting. We have summarised the key terms of the Loan below:

- The facility will be distributed in four tranches, being:

Tranche	Amount	Condition & Timing
Tranche 1	8,000,000	Date the Loan Deed is signed. Amount due on pre-existing debt to be deducted from proceeds (\$4.09mn).
Tranche 2	5,000,000	Tranche 2 Hurdle is met, being: <ul style="list-style-type: none"><li>• The board of the Company have approved the Budget; and</li><li>• The Lender has approved the Budget in writing</li></ul>
Tranche 3	3,000,000	Tranche 3 Hurdle is met, being: <ul style="list-style-type: none"><li>• The Company's shareholders approve the Convertible Loan Deed pursuant to section 611 item 7 of the Corporations Act; and</li><li>• The Company's shareholders approve the Company's entry into the Loan Security in accordance with ASX Listing Rule 10.1; and</li><li>• The Company's Net Operating Cash Flow for the period from the Budget Commencement Date to 1 December 2019 is not less than 90% of the forecast Net Operating Cash Flow for that period specified in the Budget</li></ul>
Tranche 4	3,000,000	Tranche 4 Hurdle is met, being: <ul style="list-style-type: none"><li>• The Company's shareholders approve the Convertible Loan Deed pursuant to section 611 item 7 of the Corporations Act; and</li><li>• The Company's shareholders approve the Company's entry into the Loan Security in accordance with ASX Listing Rule 10.1; and</li><li>• The Company's Net Operating Cash Flow for the period from the Budget Commencement Date to 1 January 2020 is not less than 90% of the forecast Net Operating Cash Flow for that period specified in the Budget</li></ul>

Table 1 – Details of loan tranche amounts, conditions and timing of distributions

- The Loan matures on 30 September 2020 and is repayable on that date.
- A coupon rate of 10% per annum will attach to the Loan, unless shareholders do not approve the Company executing the Loan Security at the Company's AGM anticipated to be held on or about 29 November 2019, in which case the rate reverts to 14%. Interest is calculated daily and capitalised into the loan amount unless either:
  - ▶ An event of default occurs; or
  - ▶ The Company's shareholders do not approve the Company executing the Loan Security at the Company's AGM;
  - ▶ If either of the above occurs, interest will be payable monthly
- The Loan are convertible at the election of the Lender into IncentiaPay shares at the greater of:
  - ▶ \$0.047 a share
  - ▶ VWAP 30 days immediately before conversion date
- The Loan are redeemable at the election of the Company.
- The Loan are to be secured through a general security interest over the Company (subject to shareholder approval).
- The Loan are only transferrable with consent from both the Company and the Lender.
- If an event of default occurs which is not remedied, the Lender can, enforce the general security interest by taking ownership of the assets of the Company and recovering the proceeds to repay money owing to the Lender under the Convertible Loan (with any surplus being returned to IncentiaPay).

### Comparison to market information

We note that IncentiaPay considered a range of funding options before deciding the Convertible Loan issue to be the most cost effective form of finance available.

IncentiaPay negotiated key terms of the Loan with a range of potential investors, including Suzerain (being an experienced investor with existing knowledge of IncentiaPay's assets) over the last year before terms were agreed, subject to Board approvals. We note that no party was compelled to accept the proposed terms under any position of duress.

To consider the terms on which the Loan are to be issued, we have analysed the key terms of convertible Loan that have been issued by companies listed on the ASX over the past three years. A direct comparison of the terms attached to the Convertible Loan entered into by IncentiaPay to the terms of Convertible Loan which have been issued by other companies is somewhat limited due to the convertible nature of the Loan and the relative prospects and associated risk relating to the issuer companies.

The key terms of the four convertible Loan observed are summarised in the following table:

Company Name	Date Issued	Amount (\$m)	Term (years)	Interest Rate	Premium / (discount) to 30 day VWAP*
Blue Sky Alternative Investments Limited	28/09/2018	50	7	15%	11.90%
Byron Energy	22/07/2016	8	3	12%	(10%)
Lanka Graphite	03/10/2016	1.42	1	10%	49.50%
Orion Gold NL	07/02/2017	8	2	12%	37.80%

Table 2 – Key terms of comparable convertible loans

\*Convertible option exercise price

Based on the data observed, the Convertible Loan identified had conversion prices that were at a premium to the company's share price, using the VWAP 30 days prior to the announcement, in a range from (10%) to 49.5%. In comparison, the Loan are convertible into shares in IncentiaPay at an exercise price of \$0.047 per share, being a 24% premium to the 30 day VWAP of IncentiaPay as at 8 August 2019. We note that this premium is within the range of convertible note transactions identified as per the above table.

While the conversion price is one of the key terms of the Loan, other relevant factors include the term and the interest rate attached to the Loan. As shown in the table, the interest rates of the convertible Loan ranged from 10% to 15%. The terms of the Loan ranged from one year to seven years.

Therefore, when compared to other Convertible Loan issued by companies listed on the ASX over the past three years our analysis indicates that the coupon rate of 10% attached to the Loan entered into by IncentiaPay is within the range (and not inconsistent with) with coupon rates observed in other recent Convertible Debt issues as per the above table.

We further note that the 14% coupon rate which would apply if the loan security is not approved at the AGM also falls within the range of comparable transactions established above.

We also note that the terms of the issuance are significantly less favourable than that achieved by the company in 2016 (refer section titled 'Profile of IncentiaPay'), with the coupon rate increasing from 7.5% to 10% (14% in the above noted circumstance). This increase reflects the worsened financial position of IncentiaPay in 2019 relative to 2016. In particular we note underlying EBITDA decreasing from a gain of \$8,936,000 in FY16 to a loss of \$7,422,000 in FY19.

# SCOPE OF INDEPENDENT EXPERT'S REPORT

As the Proposed Transaction could, upon potential conversion of the Loan, give rise to Suzerain increasing its shareholding to a level greater than 20% but below 90% and also due to the proposed issue of Loan constituting a related party transaction, the Directors of IncentiaPay have sought an independent expert report to assist the Non-associated Shareholders to assess the merits of the Proposed Transaction and provide an opinion as to whether the Proposed Transaction is considered fair and reasonable to the Non-associated Shareholders.

There is also a requirement for an independent expert's report pursuant to the provisions of the ASX Listing Rules as the granting of security over the equity held by IncentiaPay for the ultimate benefit of the Lender is deemed to be a disposal of a substantial asset under ASX Listing Rule 10.1.

## **Issue of shares pursuant to item 7 of section 611 of the Corporations Act which would otherwise be prohibited under section 606**

Section 606 of the Corporations Act prohibits a person acquiring a relevant shareholding in a listed company if, as a result of the acquisition, that person's (or their Associates) voting power in the company increases from 20% or below, to more than 20%, or from a starting point that is above 20% and below 90%.

There are various exceptions to the prohibition in section 606 of the Corporations Act. Item 7 of section 611 of the Corporations Act provides an exemption where the acquisition is approved by a resolution passed at a general meeting of the company before the acquisition is made. The parties involved in the acquisition and their Associates are not able to cast a vote on the applicable resolution(s).

Suzerain's voting power in the Company which may arise from the issue and subsequent conversion of the Loan is subject to whether Suzerain decides to convert some or all of the Loan or the Company elects to redeem some or all of the Loan.

If Suzerain elects to convert the Loan in full, Suzerain's interest in IncentiaPay would increase to approximately 71.48% (from 19.98%), if no other Lender converts and no other shares are issued.

This report assesses whether the issue of shares to Suzerain on potential conversion of the Loan which could result in Suzerain increasing its voting interest in IncentiaPay to potentially as much as 71.48% is fair and reasonable to the Non-associated Shareholders.

## **Related Party Transaction**

Pursuant to section 208 of the Corporations Act, for an ASX listed company (or an entity that the listed company controls) to give a financial benefit to a related party, the company must obtain the approval of the company's shareholders, unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

There is a common directorship between Suzerain and IncentiaPay, and Suzerain as a major shareholder holds significant influence over the activities of IncentiaPay. The Directors of IncentiaPay have determined that the exceptions set out in sections 210 to 216 of the Corporations Act and Listing Rule 10.12 do not apply in the current circumstances. Therefore, the issue of Loan to Suzerain requires IncentiaPay to obtain shareholder approval because this constitutes the giving of a financial benefit.

This report assesses whether the proposed issue of Convertible Loan to Suzerain is fair and reasonable to the Non-associated Shareholders.



## **Listing Rule 10.1**

Listing Rule 10.1 provides that shareholder approval is required where an entity proposes to dispose of or agree to dispose of a substantial asset to:

- a related party;
- a substantial shareholder; or
- an Associate of either of the above.

The Loan are to be secured through a general security interest in the Company.

ASX deems the granting of a security interest over an asset to be a disposal of that asset. As the face value of the Loan over which the security is to be given is greater than 5% of the equity interests of the Company as set out in its last accounts provided to ASX, the effective granting of security over the assets of the Company is considered a disposal of a substantial asset.

Further, as the granting of security is for the ultimate benefit of the Lender (comprising a related party) the Directors consider that shareholder approval is also required under Listing Rule 10.1.

This report considers whether the potential for the Lender to enforce their effective security over shares in IncentiaPay in certain circumstances is fair and reasonable to the shareholders who are not associated with Suzerain.

### **Our approach**

We have prepared this independent expert's report for the purpose of stating, in our opinion, whether or not the Proposed Transaction is considered fair and reasonable to the Non-associated Shareholders, and to set out our reasons for that opinion. This report has been prepared in accordance with the Corporations Act and ASIC RG111.

RG111 discusses the separate concepts of "fair" and "reasonable" to be applied by an independent expert assessing an offer. An offer is regarded as "fair" if the value of the offer price or consideration is equal to or greater than the value of the securities which are subject to the offer. An offer is "reasonable" if it is "fair" or despite not being "fair", but after considering other significant factors, shareholders should accept the offer in the absence of any higher bid before the close of the offer.

RG111.11 requires that the assessment of fairness of a control transaction assumes 100% ownership of the target, irrespective of whether the consideration is made by way of scrip or cash, and therefore reflects ASIC's underlying philosophy that the premium for control of a company subject to a takeover be shared by all members of that company.

Accordingly, our assessment of the value of IncentiaPay's ordinary shares prior to the Proposed Transaction is assessed on a controlling interest basis and our assessment of the value of IncentiaPay's ordinary shares immediately post the Proposed Transaction is on a minority interest basis.

In assessing fairness, we use the following definition of fair market value:

"the price which would be negotiated assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length; and assuming 100% ownership of the target".

In evaluating the reasonableness of the Proposed Transaction, we have considered whether the advantages afforded to the Non-associated Shareholders in approving the Proposed Transaction outweigh the potential disadvantages, the likelihood of an alternate funding proposal on better terms being received by the Company and the likely position of shareholders if the Proposed Transaction is rejected.

## **Sources of information**

In preparing this report, we have used and relied on the information set out in Appendix B and representations made by IncentiaPay.

We have conducted checks, enquiries and analyses of the information provided to us which we regard as appropriate for the purposes of this report. Based on these procedures, we believe that the information used as the basis for forming the opinions in this report is accurate, complete and not misleading and we have no reason to believe that material information relevant to our report has been withheld by IncentiaPay. Whilst our work has involved a high level analysis of financial information, it does not constitute an audit or review of IncentiaPay in accordance with Australian Auditing Standards, and accordingly no such assurance is given in this report.

The achievement of prospective financial information prepared by IncentiaPay has been relied on by UHYHNCF for the purposes of our assessment of the Proposed Transaction and is not warranted or guaranteed by us. This information is based on predictions of future events, many of which are outside the control of management, and is therefore inherently uncertain. Actual results and outcomes may differ materially from the forward looking information provided to us and reflected in this report.

Our assessment has been made as at the date of our report. Economic conditions, market factors and changes in exploration or development potential may result in the report becoming outdated. We reserve the right to review our assessments and, if we consider it necessary, to issue an addendum to our report, in the light of any relevant material information which subsequently becomes known to us prior to the closure of the Proposed Transaction.

All value amounts in the report are denominated in Australian dollars (\$) unless otherwise stated. Financial tables may be subject to rounding.

We have provided a draft copy of this independent expert's report to the Directors of IncentiaPay for their comments as to factual accuracy, as opposed to opinions, which are our responsibility alone. The review by Directors has not caused us to change our methodology or conclusions herein.

## **General advice**

In preparing this report, we have considered the interests of the Non-associated Shareholders taken as a whole. This report contains only general financial product advice and does not consider the personal objectives, financial situation or needs of individual shareholders. An individual's decision in relation to accepting or not accepting the Proposed Transaction may be impacted by the individual's particular circumstances and shareholders may wish to obtain personal financial product advice from their financial adviser.

## **Scope exclusions**

This report has been prepared solely for the purpose of assisting the Non-associated Shareholders to consider whether or not to approve the Proposed Transaction. This report has not been prepared to provide information to parties considering the purchase or sale of securities in IncentiaPay. Accordingly, we do not assume any responsibility or liability for any losses suffered as a result of the use of this report contrary to the provisions of this paragraph.

# OVERVIEW OF INCENTIAPAY

## Profile of IncentiaPay

IncentiaPay was first established in 2014 as BPS Technology Limited with the purpose to help businesses successfully attract additional customers. IncentiaPay specialises in preeminent digital payment solutions linking SMEs and customers globally while raising exposure in a saturated market. Payments are evolving and IncentiaPay is putting SMEs ahead of the curve through its global brands, payment solutions and partnerships.

## Company history

We have listed below a summary of key events in IncentiaPay's history since listing on the ASX:

Date	Event
2014	<ul style="list-style-type: none"> <li>Listed on the ASX</li> </ul>
2015	<ul style="list-style-type: none"> <li>Announced plans to enter overseas markets with Bartercard (China, India, South Africa)</li> <li>\$5mn convertible Loan issue and settlement of strategic franchise acquisitions</li> </ul>
2016	<ul style="list-style-type: none"> <li>Expansion of Bartercard franchises in the United Kingdom and the United States</li> <li>Signed agreement with SmartTrans – Master Merchant Agreement in China</li> <li>Sign commercial partnership with the Gruden Group</li> <li>Acquisition of Entertainment Publications ANZ</li> <li>Early redemption and re-financing of existing convertible Loan</li> </ul>
2017	<ul style="list-style-type: none"> <li>Associates (major shareholders) Alceon and LHC initiated proxy fight and sought to replace the board of directors (ultimately defeated)</li> <li>Major increase in share price volatility as Alceon and LHC divested shares</li> <li>Signing of Alipay agreement</li> <li>Refresh of the board, replacement of CEO</li> <li>Successful share placement</li> <li>Restructuring plans announced</li> </ul>
2018	<ul style="list-style-type: none"> <li>Significant impairments and one-off restructuring charges noted in half-yearly accounts</li> <li>Entitlement offer and announcement of strategic acquisition of the Gruden Group</li> <li>Name changed to IncentiaPay Limited</li> <li>Rights offering completed</li> <li>Restatement of HY results</li> <li>Divestiture of Bartercard business and Gruden government business</li> <li>Agreement with CBA to defer payment on existing loan facilities</li> </ul>
2019	<ul style="list-style-type: none"> <li>Share placement completed</li> <li>Divestment of Blackglass (Digital marketing company)</li> <li>Proposal of further rights issue and repayment of existing debt facilities</li> <li>Withdrawal of rights issue and execution of agreement with Suzerain for \$19mn convertible Loan facility</li> </ul>

Table 3 – IncentiaPay corporate history

Source: IncentiaPay ASX Announcements

# OVERVIEW OF KEY ASSETS

## Entertainment

Entertainment Publications has a 25-year history and is a fundraising tool for more than 16,000 community organizations. It is a unique word of mouth marketing tool for the hospitality industry, and a way for consumers to experience new lifestyle opportunities through valuable offers. Entertainment creates value via a unique three-way relationship between consumers, fundraiser groups and lifestyle merchants. Entertainment offers promotions and incentives for dining, travel, leisure activities, retail and services.

Entertainment generates revenue by selling a 12 month membership to end consumers, which is distributed through a network of fundraising organisations across Australia and New Zealand. These memberships contain discounts and other value offers which are provided by a number of merchants.

## My Bookings

My Bookings brings hotels, resorts, airlines, rental car companies and cruises, a closed end user group of influential and travel oriented consumers. Over 30 countries are featured; with more than 2,000 hotels and resorts profiled online; 10% off the best available online promotional rates for flights; and 100% of payments made directly with the hotel.

Revenue is earned as a commission, paid by the hotel for each booking.

## Entertainment Traveller

Entertainment Traveller provides all inclusive Fly, Stay, Eat, Play, Travel packages with both local Australian and international offers, across Hawaii, Fiji, Bali, Samoa, Maldives, Vanuatu and more. These are available to Entertainment Members and Frequent Values Members.

Revenue is earned by receiving a commission for every holiday booked.

## Corporate Marketing Solutions

The Corporate Marketing Solutions group delivers bespoke marketing and value add solutions to help corporate clients drive customer acquisition, retention and engagement. Corporate Marketing Solutions provides tailored incentive offerings to closed loop consumer groups for dining and travel programs. Included in the Corporate Marketing Solutions group is the Frequent Values program, offering white labelled solutions to large corporates in the form of books or a mobile app. Also included is the Entertainment Corporate Platform that sells gift cards from major business chains.

Revenue is earned from a membership fee for each user that activates a membership. Additional revenue is earned from customising program or for charges for bespoke IT customisation services to meet specific requirements.

## Gift Card Sales

Gift cards are provided by a mix of gift card aggregators and some direct to the merchant. These cards are sold to IncentiaPay's existing membership base at a discount to face value. Entertainment earns a small commission (3%) on each card sold.



## Revenue by segment

Segment	Entertainment	My Bookings	Entertainment Traveller	Corporate Marketing Solutions	Gift Card Sales	Other*
Revenue FY19 (\$m)	28.61	0.61	0.02	3.29	27.31	4.73

Table 4 – Revenue by segment

*\*\*The other category includes \$2.65 million in advertising revenue and \$2.09 million in various other consulting.*

*Source: Management consolidation workings for FY19 annual report*

We note based on discussions held with management, that there are significant operational synergies reflected in the above results. All segments derive significant benefits from IncentiaPay's customer lists which would need to be purchased in the event of a spin-off or divestiture.

# HISTORICAL FINANCIAL INFORMATION

## Historical profit and loss

The reported operating performance of IncentiaPay for the two financial years ended 30 June 2018 (audited) and 2019 (subject to audit) is summarised in the table below:

Consolidated Statement of Profit or Loss	FY19 Subject to Audit (\$ '000)	FY18 (Restated) Audited (\$ '000)
Revenue	64,572	75,809
Direct expenses of providing services	(41,919)	(44,972)
Impairments	(14,553)	(11,929)
Other operating costs	(36,067)	(42,105)
<b>Operating loss before income tax</b>	<b>(27,967)</b>	<b>(23,197)</b>
Gain on disposal of investment	600	-
<b>Loss before income tax</b>	<b>(27,367)</b>	<b>(23,197)</b>
Tax (expenses) / benefit	(786)	2,000
<b>Loss for the period</b>	<b>(28,153)</b>	<b>(21,197)</b>
Loss for the period from discontinued operations	(9,751)	(40,986)
<b>Net profit attribute to members of the parent entity</b>	<b>(37,904)</b>	<b>(62,183)</b>
<b>Underlying EBITDA</b>	<b>(7,422)</b>	<b>1,842</b>

Table 5 – IncentiaPay historical profit and loss for financial years 2019 and 2018

Source: IncentiaPay Preliminary Annual Reports, ASX Announcements

In relation to the historical financial performance of IncentiaPay, we note:

- IncentiaPay's FY18 and FY19 results were significantly impacted by non-cash impairment charges (\$11.9mn in 2018 and \$14.6mn in 2019)
- Consolidated revenues have decreased by \$11.2mn as IncentiaPay disposed of non-core operations (Bartercard, Gruden Government business and the Performance Marketing business).
- Operating and net losses are significant, with the Group's underlying EBITDA position deteriorating further in FY19.

## Operating expenditures

The reported operating expenditure of IncentiaPay for the two financial years ended 30 June 2018 (audited) and 2019 (subject to audit) is summarised in the table below:

Operating Expenditures	FY19 Subject to Audit (\$ '000)	FY18 (Restated) Audited (\$ '000)
Employee expenses	19,141	23,910
Depreciation and amortization expense	2,015	3,981
Building occupancy expense	2,943	1,995
Legal and professional costs	2,622	1,320
Website and communication	2,419	1,763
Other expenses	6,581	8,035
<b>Total operating expenditure</b>	<b>35,721</b>	<b>41,004</b>

*Table 6 – Incentiapay historical operating expenditures for financial years 2019 and 2018*

The main constituents of employee expenses are comprised of salaries and wages and leave expenses.

## Statement of financial position

The reported financial position of IncentiaPay for the two financial years ended 30 June 2018 (audited) and 2019 (subject to audit) is summarised in the table below:

Consolidated Statement of Financial Position	FY19 Subject to Audit (\$ '000)	FY18 (Restated) Audited (\$ '000)
Cash and cash equivalents	3,460	11,130
Deferred consideration	695	-
Trade and other receivables	2,728	9,675
Inventories	96	350
Other assets	7,853	12,186
Assets disposal group classified as held for sale	-	1,596
<b>Total current assets</b>	<b>14,832</b>	<b>34,937</b>
Deferred consideration	2,414	-
Trade and other receivables	-	141
Property, plant and equipment	2,383	2,366
Deferred tax assets	3,717	4,773
Intangible assets	22,507	49,280
<b>Total non-current assets</b>	<b>31,021</b>	<b>56,560</b>
<b>Total assets</b>	<b>45,853</b>	<b>91,497</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	5,941	11,949
Borrowings	4,169	-
Vendor loans	-	800
Current tax liabilities	186	169
Deferred revenue	21,394	22,001
Provisions	1,833	5,643
Liabilities included in disposal group held for sale	-	777
<b>Total current liabilities</b>	<b>33,523</b>	<b>41,339</b>
<b>Non-current liabilities</b>		
Trade and other payables	-	851
Borrowings	466	-
Provisions	217	1,131
<b>Total non-current liabilities</b>	<b>683</b>	<b>1,982</b>
<b>Total liabilities</b>	<b>34,206</b>	<b>43,321</b>
<b>Net assets</b>	<b>11,647</b>	<b>48,176</b>

Table 7 – IncentiaPay historical balance sheet position for financial years 2019 and 2018



A discussion of IncentiaPay's key balance sheet items as at 30 June 2019 is set out below:

- Cash on hand at 30 June 2019 was \$3.5mn, down from \$11.1mn at 30 June 2018
- Net current liabilities as at 30 June 2019 of \$18.7mn compared to \$6.4mn as at 30 June 2018

## Statement of cash flows

The cash flow statements of IncentiaPay for the two financial years ended 30 June 2018 and 2019 is summarised in the table below:

Consolidated Statement of Cash Flows	FY19 Subject to Audit (\$ '000)	FY18 (Restated) Audited (\$ '000)
<b>Cash flows from operating activities</b>		
Receipts from customers	86,175	120,003
Payments to suppliers and employees	(99,591)	(123,020)
Interest received	78	-
Tax paid	-	(580)
<b>Net cash used in continuing operations</b>	<b>(13,338)</b>	<b>(3,597)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(1,597)	(339)
Purchase of intangibles	(1,878)	(6,103)
Proceeds from sales of businesses	2,058	-
Acquisition of subsidiaries net of cash acquired	-	297
Proceeds from sale of unlisted equity investments	600	-
<b>Net cash used in investing activities</b>	<b>(817)</b>	<b>(6,145)</b>
<b>Cash flows from financing activities</b>		
Net proceeds from issue of shares	1,114	30,241
Proceeds of loan repaid from external parties	800	-
Repayment of borrowings	(4,000)	(14,439)
Repayment of convertible note	-	(5,000)
Proceeds from borrowings	8,635	-
Interest paid	(221)	(1,216)
Loan to external parties	-	(1,000)
Dividends paid	-	(2,666)
<b>Net cash from financing activities</b>	<b>6,328</b>	<b>5,920</b>
Net decrease in cash held	(7,827)	(3,822)
<b>Cash and cash equivalents at beginning of financial period</b>	<b>11,508</b>	<b>15,330</b>
Cash held in discontinued operations		(378)
Effect of exchange rate changes	(221)	
<b>Cash and cash equivalents at the end of the financial period</b>	<b>3,460</b>	<b>11,130</b>

Table 8 – IncentiaPay historical cash flows for financial years 2019 and 2018

In relation to IncentiaPay's historical cash flows shown above, we note that:

- Net proceeds (proceeds less repayments) from borrowings primarily reflects the drawing of a \$4mn short term facility from Suzerain
- Operating cash flows are negative in both periods (\$13.3mn in FY19 and \$3.6mn in FY18)

# CAPITAL STRUCTURE

## Ownership

As at 8 August 2019, IncentiaPay had a market capitalisation of \$9.7 million and the issued capital of IncentiaPay comprised 242.61 million ordinary shares.

The top 10 shareholders and their respective holdings (as at 8 August 2019) are set out in the table below:

Rank	Holder	Shares (millions)	% held
1	Suzerain Investments Holdings Ltd	48.48	19.98
2	Citicorp Nominees Pty Limited	39.75	16.38
3	Sinotech Limited	18.50	7.63
4	J P Morgan Nominees Australia Pty Limited	17.06	7.03
5	Everest MB Pty Ltd	7.52	3.10
6	Kootenay Investments Pty Ltd	6.50	2.68
7	<b>BNP Paribas Nominees Pty Ltd</b>	<b>3.33</b>	<b>1.37</b>
8	Iain Dunstan	3.04	1.25
9	Darius Coveney	2.68	1.10
10	Future Land Limited	2.33	0.96
	<b>Total (Top 10 Shareholders)</b>	<b>149.19</b>	<b>61.48</b>
	<b>Total (Top 10 exc. Suzerain)</b>	<b>100.71</b>	<b>41.50</b>
	<b>Total</b>	<b>242.61</b>	<b>100.00</b>

Table 9 – IncentiaPay top 10 shareholders

Source: Management



## Recent share price analysis

The figure below illustrates the trading performance of IncentiaPay shares from September 2018 to August 2019 together with historical volumes traded and key influencing items:



Figure 2 – IncentiaPay share price and trading volumes (Sept 18 – Aug 19)

A: 06/12/2018 Retraction of FY19 EBITDA guidance and resignation of CEO

B: 28/02/2019 Release of HY19 Financial Statements and announcement of share placement at \$0.08/share

## Liquidity

IncentiaPay's shares are considered to have a moderate level of trading liquidity on the ASX, with approximately 17.6% of the total number of securities changing hands each month during the observed period.

Period	Days Traded	Average Daily Price (\$/share)	Average Daily Volume Traded (millions)	% Share traded Monthly
September 2018 – August 2019	229	0.077	2.243	17.6

Table 10 – IncentiaPay share price and liquidity information

The above table presents the trading liquidity of IncentiaPay stock over the past year. The table presents two metrics, the first outlining the average daily traded volume and the second showing the percentage of total shares outstanding traded monthly. We note that the volume of shares traded monthly has reduced substantially over recent months but we still consider trading in the shares of IncentiaPay to be liquid. Further details regarding liquidity are available in the section titled '**Methodology selection and consideration of Fairness**'.

## Performance Rights

Performance Rights have been issued to Directors and senior management. Vesting of the Performance Rights are subject to an employees completed a defined service period. Once vested, the performance rights are automatically converted into shares.

The following table sets out the performance rights outstanding as at 8 August 2019:

Grant Date	Vesting Condition	Number of Rights
23/05/2017	Vest over a four year service period	2,072,000

Table 10 – IncentiaPay share price and liquidity information

# INDUSTRY OVERVIEW

## Introduction

The digital marketing industry is involved in creating advertising campaigns and placing advertisements across digital media outlets. Agencies produce advertising material and provide advice, media planning and buying services, creative services, and account management services:

### INDUSTRY AT A GLANCE - Key Statistics Snapshot

Revenue	Annual Growth 14-19	Annual Growth 19-24
<b>\$2.0bn</b>	<b>16.7%</b>	<b>12.9%</b>
Profit	Wages	Businesses
<b>\$326.8m</b>	<b>\$785.6m</b>	<b>3,616</b>

Figure 3 – Digital marketing industry key metrics

Source: IBISWORLD

## Market Participants

The Digital Advertising Agencies industry displays low market share concentration, with the four largest operators expected to account for less than one-third of industry revenue in 2018-19. Many small-scale firms have entered the industry over the past five years, encouraged by rising demand for digital advertising agencies and the industry's low barriers to entry. In addition, many larger traditional advertising companies have developed digital capabilities over the period. Consequently, the industry is fragmented, with operators of various sizes and specialties. Industry concentration has grown over the past five years, as major firms such as WPP and Interpublic have strongly expanded their digital advertising operations, securing valuable contracts with large organisations such as Mercedes-Benz.

Major companies in the industry include WPP AUNZ Limited, Interpublic Australia Holdings Pty Ltd and Omnicom Media Group Australia Pty Ltd, however these three entities only make up approximately 27% of the market.

### MAJOR PLAYERS

(Market Share)

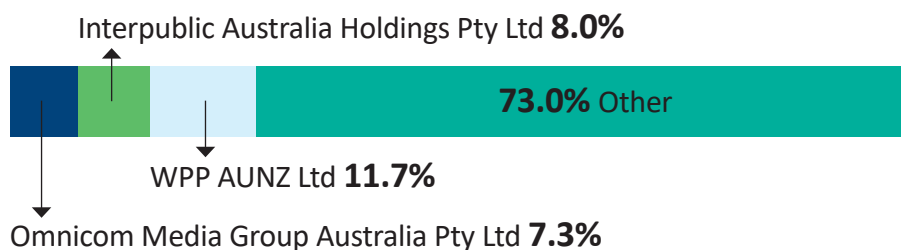


Figure 4 – Digital marketing industry market share breakdown

Source: IBISWORLD

## Recent Industry Trends

The Digital Advertising Agencies industry has grown significantly over the past five years, largely due to the increasing popularity of online marketing solutions among both private and public sector organisations. Businesses have become increasingly aware that digital marketing can more effectively target their key markets than traditional print and TV mediums. Overall, industry revenue is expected to increase by an annualised 16.7% over the five years through 2018-19, to be worth \$2.0 billion. This includes projected growth of 16.9% in the current year.

Over the past five years, search engine marketing (SEM) has remained the industry's dominant service. Businesses have increasingly hired digital advertising agencies to implement search engine optimisation and pay-per-click marketing campaigns to boost their visibility in search engine results. Social media platforms have grown more popular as online advertising channels over the period, as they can display relevant ads to consumers based on data collected from their internet browsing activity. Organisations have increasingly sought the services of industry operators to handle their social media presence. Demand for ads that can be viewed on mobile devices has also increased over the period, due to the rising proportion of domestic internet traffic generated by smartphones and tablets.

Industry revenue is anticipated to continue expanding over the next five years, although at a slower rate compared with the previous five-year period. Growing demand for SEM strategies, social media marketing services and digital advertising solutions for emerging content-viewing mediums such as augmented reality and wearable technologies such as smartwatches will likely drive revenue growth over the period. However, the rising use of ad blocker software may hinder demand for industry services. Overall, industry revenue is forecast to grow by an annualised 12.9% over the five years through 2023-24, to be worth \$3.7 billion.

## Industry outlook

The Digital Advertising Agencies industry's revenue is projected to continue expanding strongly over the next five years. The growing adoption of new hardware through which advertising can be transmitted, such as virtual reality headsets and smartwatches, is likely to support this growth. The need for companies to circumvent digital marketing obstacles such as ad blocking will also fuel demand for industry services. As the industry is in the growth stage of its economic life cycle, enterprise numbers are projected to rise over the period. Many new players are likely to emphasise largely untapped mediums such as wearable technologies. Average wages are likely to continue trending up over the next five years, as industry players increasingly hire workers that are skilled in programming and can design marketing materials compatible with emerging mediums.

However, revenue growth is anticipated to slow over the next five years compared with the previous five-year period as the market reaches saturation. The growing ease with which online ads can be bought and managed directly by downstream businesses will likely further dampen demand for industry services. With the industry becoming more competitive across all product segments, profit margin growth is also anticipated to slow over the period. Overall, industry revenue is forecast to increase by an annualised 12.9% over the five years through 2023-24, to \$3.7 billion.

# EVALUATION OF THE PROPOSED TRANSACTION AND OPINION

## Our approach

Convertible Loan provide the holder with a future right (but not an obligation) to exchange the principal amount of the debt component of the Loan for shares in the issuing entity. In the case of the Proposed Transaction, the Lender has the right to convert the face value of the Loan in full or in part, subject to the conditions set out in the Notice of Meeting and summarised in the section titled 'Overview of the Transaction' of this report. Accordingly, whilst the Lender has the right to convert there is no certainty that this right will be exercised and, if exercised, when this may occur.

It is considered reasonable that a rational investor would only exercise their right and convert the debt to shares in IncentiaPay if the conversion price was lower than the prevailing trading share price of IncentiaPay. Therefore, it would be reasonable to assume that for the Loan to be converted, the trading share price of IncentiaPay would have to be at, or above, \$0.047 per share (being the conversion price) or there was a strong likelihood of that occurring on a sustainable basis.

In considering the potential impact to the Non-associated Shareholders, the most appropriate date to assess the value of shares in IncentiaPay post the Proposed Transaction is at or around the time when the Loan are assumed to be converted and the associated voting rights of Suzerain increases. As at the date of this report, we are unable to predict when, and indeed if, the Loan will be converted and further, cannot predict the underlying share price of IncentiaPay at that unknown date.

As such, we consider that at the date of this report, the strategic rationale for the Proposed Transaction, together with consideration of the relativity of the conversion price compared to the recent trading share price of IncentiaPay and of the wider terms of the Loan and the consideration of the relative advantages afforded by approving the Proposed Transaction, to be of more relevance to the Non-associated Shareholders.

However, in accordance with RG111, to assess the fairness of the Proposed Transaction we have considered the value of a share in IncentiaPay prior to the issue of Loan on a controlling interest basis and compared this to the pro forma minority interest value of a share in IncentiaPay immediately post the Proposed Transaction under two scenarios, being no conversion and full conversion.

It follows from the above that, if the assessed value of a share in IncentiaPay prior to the issue of Loan on a controlling interest basis is lower than the assessed pro forma minority interest value of a share in IncentiaPay immediately post the Proposed Transaction under the two scenarios, the Proposed Transaction would be considered to be fair and as such reasonable.

## Methodology selection and consideration of Fairness

We have assessed the value of a share in IncentiaPay prior to the Proposed Transaction and potential value immediately post the Proposed Transaction by reference to the trading price of IncentiaPay shares pre-transaction on the ASX. We then applied an estimated control premium and adjusted the value for the estimated marginal impact of the transaction.

We also adopted a revenue multiple analysis to be used as a cross check against the primary valuation methodology result.

We selected a market price based methodology as our primary valuation measure as we consider that the shares of IncentiaPay trade in a liquid and active market (relative to its market capitalization). In particular we

note that IncentiaPay's annualised 1 month and 3 month trading volumes (32.37% and 44.46% respectively) are comparable to trading volumes for the ASX as a whole (averaging 47.47% for the FY19 period to February 2019<sup>2</sup>). We note that the 1 and 3 month trading volumes exclude abnormal volatility spikes earlier in the financial year.

We chose to use a revenue multiple methodology as a cross-check rather than an earnings multiple, as it was not considered possible to determine future maintainable earnings, given the entities poor operating position, and high levels of uncertainty surrounding its future operations.

We chose not to utilise a discounted cash flow valuation methodology given, as noted above, the high level of estimation uncertainty associated with projecting large operating efficiencies to be able to generate a positive or non-nil net present value. The current market price of IncentiaPay shares strongly suggests a low probability that the entity will generate significant future earnings (market capitalisation well below net asset value).

Other methodologies mentioned in RG 111.69 were not considered applicable to the entity as:

- The entity is proposing to continue as a going concern, and there is no reasonable prospect for an orderly realization of assets. We also note such a valuation on a liquidation basis is likely below the estimated market valuation based on a quoted market price.
- No recent genuine offers had been received by IncentiaPay for the entire business, or any business units or assets (as represented by management on 05/11/19)

<sup>2</sup> Sourced from the Reserve Bank of Australia, statistical table F.7 Share Market, average daily turnover divided by market capitalization of listed domestic equities 2018/19



## Valuation assessment pre the Proposed Transaction

To consider the recent trading price of IncentiaPay shares we have analysed the last twelve months of trading activity.

As shown in the graph below, over this time shares in IncentiaPay have traded in a downwards trend range of between \$0.19 and \$0.025 per share over the period from September 2018 to August 2019 although this range has narrowed over the more recent three month period.



Figure 5 - IncentiaPay share price and trading volumes (Sept 18 – Aug 19)

We have also calculated the VWAP of IncentiaPay shares at 8 August 2019 (being prior to the announcement of the Proposed Transaction) on a 90, 60, 30 and 5 day basis and presented this in the table below.

Period to 8 August 2019	5 days	30 days	60 days	90 days
VWAP (\$/share)	0.036	0.038	0.048	0.062

Table 12 – Incentiapay share price VWAP data

We note in view of the significant difference between the 60 and 90 day VWAP and the spot price on 8 August 2019, considering the relative stability and greater timeliness of more recent VWAP periods we have excluded these from our analysis. We also note the 60 and 90 day VWAP prices do not fully incorporate relevant information released in the period, including the failure of a proposed rights issue (announced 28 June 2019). Based on the above analysis we consider a share price of between \$0.036 and \$0.038 to be reflective of the market value of a share in IncentiaPay (on a minority interest basis) as at 8 August 2019 (immediately preceding the transaction).

The traded share price of IncentiaPay is reflective of the prices paid for small parcels of shares by minority holders and as such does not include a premium for control. We have therefore considered and have applied an equity control premium to the observed traded price of IncentiaPay shares pre transaction to reflect that in a takeover situation purchasers are normally willing to pay a premium in order to obtain control of a company.

A premium for control is applicable when the acquisition for control of a company would give rise to benefits such as:

- Control of the Board of Directors of the company;
- Control of all the decision making and strategy;
- Access to cash flows; and
- Access to tax consolidation benefits.

Publicly available research indicates that the median equity takeover premium in Australia for full control has been in the order of 21% to 29% (Source: RSM Research, FactSet), however this varies widely depending on the nature of industry and circumstances and may, in some circumstances, reflect the value of synergies gained by purchasers.

We have assessed an appropriate premium for control to apply to the minority equity value of IncentiaPay to lie in the range of between 21% and 29% based on our analysis of the level of premiums observed in historical transactions and after consideration of there being a wide distribution of IncentiaPay shareholders (outside of the interests held by Suzerain).

Applying the assumed control premium to our assessed value of a share in IncentiaPay on a minority interest basis derives a value per share on a controlling interest basis of between \$0.044 and \$0.049 and a midpoint preferred value of \$0.046 per share.

Pre Proposed Transaction	Low	High	Midpoint
Trading price – VWAP (\$/share)	0.036	0.038	0.037
Control premium	21.1%	29.1%	25.1%
<b>Value per share (100% control basis)</b>	<b>0.044</b>	<b>0.049</b>	<b>0.046</b>
Outstanding shares (millions)	242.61	242.61	242.61
<b>Equity value (100% control basis) (\$m)</b>	<b>10.58</b>	<b>11.90</b>	<b>11.23</b>

Table 13 – Incentiapay pre-transaction valuation

## Valuation assessment immediately post the Proposed Transaction – assumed no conversion

We have then assessed the pro forma value of a share in IncentiaPay on a minority interest basis assuming that the Loan have been issued and that no conversion has occurred.

The steps we have taken to assess this value are as follows:

- Determined the value of 100% of the equity on a minority interest basis by multiplying the assessed range of share values on a minority interest basis pre transaction by the number of shares outstanding;
- Adjusted the equity value determined in the aforementioned step by the amount of cash received from the issue of the Loan less amounts relating to the estimated cost of the Proposed Transaction and amounts adjusted to repay existing debt to the Lender;
- Deducted the value of the debt taken on by the Company through the issue of the Loan to derive an 'Adjusted Equity Value' on a minority interest basis;
- Deducted the estimated option value provided to Lender through the conversion terms;
- Calculated an implied pro forma value of a share in IncentiaPay by dividing the 'Adjusted Equity Value' on a minority interest basis by the number of shares outstanding.

Adopting the approach described above, we have assessed the proforma value of a share in IncentiaPay on a minority interest basis assuming that the Loan have been issued and that no conversion has occurred to be between \$0.004 and \$0.006 and a midpoint preferred value of \$0.005 per share. We have shown our calculation in the table presented below.

Pre Proposed Transaction (Debt)	Low	High	Midpoint
Trading price – VWAP (\$/share)	0.036	0.038	0.037
Outstanding shares (million)	242.61	242.61	242.61
<b>Equity value (minority control basis) (\$m)</b>	<b>8.73</b>	<b>9.22</b>	<b>8.98</b>
Add: Cash received on issuance of Loan (\$m)	14.91	14.91	14.91
Add: Existing debt facility repaid (\$m)*	4.09	4.09	4.09
Deduct: Incremental issuance costs (\$m)	-	-	-
Deduct: Value of debt incurred (\$m)	(19.00)	(19.00)	(19.00)
Deduct: Option value of convertible Loan**	(7.67)	(7.67)	(7.67)
<b>Adjusted Equity value (minority control basis) (\$m)</b>	<b>1.06</b>	<b>1.55</b>	<b>1.31</b>
Outstanding shares (million)	242.61	242.61	242.61
<b>Adjusted equity value per share (minority control basis)</b>	<b>0.004</b>	<b>0.006</b>	<b>0.005</b>

Table 14 – Incentiapay post-transaction valuation (debt)

\*As noted in the 'Overview of the Transaction' section, a portion of Tranche 1 is allocated to repay existing short-term debt from the Lender

\*\*Option value calculated using a Black-Scholes option pricing model, an assumed volatility of 156%, and exercise price of \$0.047 and a share price of \$0.037 (Trading price pre-transaction).

## Valuation assessment immediately post the Proposed Transaction – assumed full conversion

We have then assessed the pro forma value of a share in IncentiaPay on a minority interest basis assuming that the Loan have been fully converted immediately post the Proposed Transaction.

The additional steps we have taken to assess this value are as follows:

- Removed the amount of debt taken on by the Company through the issue of the Loan (as assumed to have been replaced by equity);
- Adjusted the number of shares outstanding by the number of new shares assumed to have been issued upon full conversion of the Loan; and
- Calculated an implied pro forma value of a share in IncentiaPay by dividing the 'Adjusted Equity Value' on a minority interest basis by the adjusted number of shares outstanding post the assumed conversion of the Loan.

Adopting the approach described above, we have assessed the pro forma value of a share in IncentiaPay on a minority interest basis assuming that the Loan has been issued and that conversion has now occurred to be between \$0.043 and \$0.044 with a midpoint preferred value of \$0.043 per share. We have shown our calculation in the table presented below.

Post Proposed Transaction (Debt)	Low	High	Midpoint
Trading price – VWAP (\$/share)	0.036	0.038	0.037
Outstanding shares (million)	242.61	242.61	242.61
<b>Equity value (minority control basis) (\$m)</b>	<b>8.73</b>	<b>9.22</b>	<b>8.98</b>
Add: Cash received on issuance of Loan (\$m)	14.91	14.91	14.91
Add: Existing debt facility repaid (\$m)*	4.09	4.09	4.09
Deduct: Incremental issuance costs (\$m)	-	-	-
<b>Adjusted Equity value (minority control basis) (\$m)</b>	<b>27.73</b>	<b>28.22</b>	<b>27.98</b>
Outstanding shares (million)	242.61	242.61	242.61
Additional shares issued (@ 0.047/share) (million)	404.26	404.26	404.26
<b>Adjusted equity value per share (minority control basis)</b>	<b>0.043</b>	<b>0.044</b>	<b>0.043</b>

Table 15 - Incentiapay post-transaction valuation (equity)

\*As noted in the 'Overview of the Transaction' section, a portion of Tranche 1 is allocated to repay existing short-term debt from the Lender

## Valuation cross check

In addition to our primary valuation methodology detailed above, we have utilised a revenue multiple analysis as a secondary cross-check validation, to assess whether the primary valuation result appears reasonable in light of other valuation methods.

Our revenue cross check involved comparing the revenue multiple applied by the market to IncentiaPay in comparison to some its listed competitors and other comparable companies. The results of our analysis are presented below.

## IncentiaPay Revenue Multiple Value

	Low	High	Adopted
<b>Multiple</b>	0.21	1.52	0.21
<b>Revenue (FY19) (\$m)*</b>	64.57	64.57	64.57
<b>Est Valuation (\$m)</b>	<b>13.56</b>	<b>98.15</b>	<b>13.56</b>

Table 16 – Revenue multiple valuation cross-check

\*Continuing revenue from operations only, as presented in the audited financial statements for the year ended 30 June 2019

We have adopted the low range multiple estimate owing to the following:

- The entity is showing declining revenue, as opposed to the growth shown on the higher multiple comparables
- The entity is loss making, and has significant solvency issues

The above adopted valuation is comparable with the midpoint pre-transaction market based valuation shown above (refer table 12), which has an equity value of \$11.23 million.

### Source Data:

Company	Annual Revenue (\$m)	Market Capitalisation (\$m)	Multiple
Ooh Media – OML	482.65	734.68	1.52
Crowd Mobile – CM8	23.92	4.93	0.21
Engage BDR – EN1	6.18	8.95	1.45
WPP AUNZ Ltd – WPP	405.60	422.61	1.04

Table 17 – Revenue multiple valuation cross-check comparable companies

In determining which companies to include for the purposes of this multiple analysis, we initially reviewed management's internal competitor analysis. This analysis identified a large number of private and start-up entities for which no data was available, as well as large, high growth and high multiple companies listed in the United States (including Groupon and Tripadvisor), which were not considered comparable to IncentiaPay. As a result, we expanded our comparable market scope to include other digital based marketing companies listed within Australia, which have closer growth profiles to IncentiaPay.



## OPINION

### Assessment of fairness

To assess the fairness of the Proposed Transaction we have considered the value of a share in IncentiaPay prior to the Proposed Transaction on a controlling interest basis and compared this to the assessed value of a share in IncentiaPay on a minority interest basis immediately post the Proposed Transaction. As discussed above, we have assessed the pro forma value of a share in IncentiaPay immediately post the Proposed Transaction (on a minority interest basis) under two scenarios, assuming the full conversion of the Loan and assuming that the Loan are not converted.

We have assessed the fair market value of a share in IncentiaPay (on a controlling interest basis) pre transaction to be in a range from \$0.044 to \$0.049 with a preferred (midpoint) value of \$0.046.

We have assessed the potential value of a share in IncentiaPay immediately post the Proposed Transaction (on a minority interest basis) assuming the full conversion of the Loan to be in a range from \$0.043 to \$0.044 with a preferred (midpoint) value of \$0.043 and assuming that the Loan are not converted to be in a range from \$0.004 to \$0.006 with a preferred (midpoint) value of \$0.005.

As at the date of this report, it would not be in the interest of the Lender to exercise the Loan convertability option, as the share price remains below the exercise price. We have therefore determined our fairness opinion on the results of scenario one (non-conversion).

On that basis, we note that the assessed value of a share in IncentiaPay prior to the Proposed Transaction on a controlling interest basis is greater than our valuation range for a fully paid ordinary share in IncentiaPay immediately post the Proposed Transaction on a minority interest basis. Therefore under the scenario considered, **we consider that it is not fair.**

### Assessment of reasonableness

In accordance with RG111.12, if an offer is considered to be fair it is also considered to be reasonable. However, an offer may also be considered to be reasonable, if despite not being considered fair, the expert considers that there are sufficient reasons for the relevant security holders to accept the offer, in the absence of a superior proposal.

A number of qualitative issues are generally considered in assessing reasonableness. These issues broadly comprise:

- Whether the Proposed Transaction includes a premium for control;
- The likely consequences for the Non-associated Shareholders if the Proposed Transaction is accepted;
- The likely consequences for the Non-associated Shareholders if the Proposed Transaction is not accepted; and
- The likelihood of another funding proposal arising that is on better terms under the current Proposed Transaction from the perspective of the Non-associated Shareholders.

We consider the Proposed Transaction to be reasonable for the following reasons.

### **The Proposed Transaction provides IncentiaPay with a level of certainty regarding its ability to fund its operations**

If the Non-associated Shareholders vote to approve the Proposed Transaction, the funds raised will provide IncentiaPay with the ability and certainty to fund the cost of its operations. As detailed in the 30 June 2019 Preliminary Financial Statements, IncentiaPay has a net current asset deficiency of \$18.69mn, including current borrowings of \$4.169mn against \$3.46mn of cash on hand and generated negative cash flows from operations for FY19 (\$13.34mn).

If the Non-associated shareholders decide not to vote in favour of the Proposed Transaction, IncentiaPay will likely become insolvent, subject to major restructuring of its operations or alternative sources of funding (see below).

### **Most cost effective option relative to available funding alternatives identified as part of a strategic review**

As part of a strategic review by management, IncentiaPay considered a range of funding options before deciding the Convertible Loan issue to be the most cost effective form of finance available to fund the Company's working capital needs.

Debt finance is typically cheaper than issuing equity or hybrid finance instruments and is non-dilutive. However, IncentiaPay has not been able to secure asset backed debt funding due to a history of significant operating losses and a lack of tangible assets to provide security.

An alternative strategy considered was to issue new equity via a capital raising. Although this strategy could potentially improve liquidity, based on enquiries made with underwriters in the market, this was not a feasible option given current market conditions. Any rights issue would likely be more dilutive than the Proposed Transaction.

Management also investigated alternative sources of hybrid financing. The Proposed Transaction offered the most favourable terms of any offered to the Company during the review.

Therefore, we are not aware of any alternative proposals which may provide a greater benefit to the Non-associated Shareholders at the date of this report.

### **The key terms of the Loan have been negotiated between IncentiaPay and the Lender on an arm's length basis**

In determining the key terms of the Loan, IncentiaPay considered recent convertible Loan issued by comparable companies. A direct comparison of the terms attached to the Loan to terms of convertible Loan which have been issued by other companies is somewhat limited due to the convertible nature of the Loan and the relative prospects and associated risk relating to the issuer companies. However, our analysis indicates that when compared to other convertible Loan issued by companies listed on the ASX over the past three years, the coupon attached to the Loan of 10% is within the range of (and not inconsistent with) coupon rates observed in other recent convertible note issues.

IncentiaPay explored a range of potential financing options and engaged with a range of potential investors as part of the finance raising process before deciding on the Proposed Transaction. Through this process IncentiaPay negotiated the terms of the Loan with potential investors, including Suzerain (being an experienced investor with existing knowledge of IncentiaPay's assets). These negotiations were conducted over a number of weeks before final terms were agreed, subject to Board approvals. No party was compelled to accept the proposed terms under any position of duress therefore the agreed terms are considered to be reflective of available market rates of return. We consider the key terms of the Loan to have been agreed on an arm's length basis.

The board member associated with Suzerain (Jeremy Thorpe) recused himself from all conversations with Suzerain and abstained from the board resolution to approval the transaction.

### **The Loan are convertible into shares in IncentiaPay at an exercise price of A\$0.047 per share, being a 31% and 24% premium to the 5 day and 30 day volume weighted average price (VWAP) of IncentiaPay, respectively**

The conversion price attached to the Loan is \$0.047 per share which reflects a 31% and 24% premium when compared to the 5 day and 30 day VWAP of IncentiaPay at 8 August 2019, being prior to the announcement of the Proposed Transaction. The existence of a premium above the recent traded price of IncentiaPay shares is considered to be to the benefit to the Non-associated Shareholders.

The extent of the premium is comparable to other recent convertible note issues.

We also note that any decision to convert the Loan is likely only to be made if the share price of IncentiaPay is above the exercise price attached to the Loan, being above \$0.047 per share. In this event, all shareholders would be considered to have benefited from the increase in the share price. Further, we note that if the Loan are converted, the debt associated with the Loan is consequently extinguished and the level of gearing will decrease to nil.

#### **Ability for IncentiaPay to redeem the Loan and seek alternate financing**

If IncentiaPay's share price increases during the repayment period, funds may potentially be able to be raised by IncentiaPay at a lower cost to existing shareholders either through the increased ability to secure conventional debt funding or through being able to issue equity at a higher share price (and / or lower cost) than is currently considered possible. In such an event the Company can elect to redeem the Loan.

We note that whilst this may trigger the conversion of the Loan by the Lenders, it removes future optionality available to the Lenders at the expense of the Non-associated Shareholders and also reduces aggregate coupon payments.

#### **Suzerain's interest in IncentiaPay will only increase if it exercises the right to convert the Loan into shares in IncentiaPay**

Only if Suzerain exercises its conversion rights will additional shares be issued to it. We note that if Suzerain exercises its conversion rights in full, its holding in IncentiaPay will increase to approximately 71.48%, if no other Lender converts and no other shares are issued.

Suzerain currently holds approximately 19.98% of the outstanding shares on issue and therefore already has a significant interest in the future success of the Company. If Suzerain exercises their rights granted in the Proposed Transaction they would become a controlling shareholder of the Company. However based on the current share price of the Company, it currently appears more likely that Suzerain will not choose to convert the Loan.

#### **Restricted ability of the Lenders to transfer the Loan to third parties**

The Lender is not entitled to transfer some or all of the Loan to any other party at any time after they are issued without the written consent of the Company.

As such, this term seeks to protect the interests of the Company and the Non-associated Shareholders by restricting the ability of any party gaining a substantial holding in IncentiaPay via the election of the Lender to transfer the Loan.

#### **By obtaining shareholder approval under Listing Rule 7.1, the Company will retain the flexibility to issue up to 25% of its issued capital, if required, in the next 12 months without the need to obtain further shareholder approval**

As shareholder approval is being sought pursuant to item 7 of section 611 of Corporations Act, the issue of Loan to Suzerain will not be included in the calculation of the Company's annual 15% placement capacity pursuant to Listing Rule 7.1 or its 10% placement capacity pursuant to Listing Rule 7.1A.

#### **If the Proposed Transaction is not accepted, the IncentiaPay share price may be adversely impacted**

If the Proposed Transaction is not approved we consider that the share price of IncentiaPay could be adversely impacted, having regard to the perceived ability of IncentiaPay to be able to fully fund its continued operations.

We have also considered the potential disadvantages to the Non-associated Shareholders if the Proposed Transaction is approved but consider that the benefits to the Non-associated Shareholders outweigh the potential disadvantages. A summary of the potential disadvantages considered includes:

- The potential increased shareholding of Suzerain (if the Loan are converted) may be deemed to result in increased influence without a control premium having been paid
- The Loan are to be secured through a general security interest, under which IncentiaPay grants security over the assets interests it owns to the Lender. If IncentiaPay is unable to repay the Loan upon the maturity date (being 30 September 2020) through any reason, then the Non-associated Shareholders may be adversely impacted.
- Existing shareholders' interests will be diluted upon potential conversion of the Loan, albeit conversion will mean the share price has increased considerably from the current traded share price;
- The issue of Loan provides option value to the Lenders which reduces equity value to the Non-associated Shareholders; and
- There is no opportunity for the Non-associated Shareholders to participate in the Proposed Transaction.

After consideration of the aforementioned factors, in our opinion the advantages of the Proposed Transaction outweigh the potential disadvantages. Therefore, in the absence of a superior proposal, we consider that the Proposed Transaction is reasonable to the Non-associated Shareholders.

## **Conclusion**

On the basis that the assessed value of a share in IncentiaPay prior to the Proposed Transaction on a controlling interest basis is greater than our valuation of a fully paid ordinary share in IncentiaPay immediately post the Proposed Transaction on a minority interest basis under the most likely scenario, we consider that the Proposed Transaction is not fair.

However, despite not being considered fair, we consider that the Proposed Transaction is reasonable on the basis that there are sufficient reasons for the Non-associated Shareholders to accept the offer, in the absence of a superior proposal.

# APPENDIX A - STATEMENT OF QUALIFICATIONS AND DECLARATIONS

## Qualifications

UHYHNCF is beneficially owned by the partners of UHY Haines Norton in Sydney, which is an association of independent firms in Australia and New Zealand and a member of UHY International, a network of independent accounting and consulting firms. UHYHNCF holds an Australian Financial Services Licence under the Corporations Act.

Vikas Gupta is a director in our Sydney valuations practice where he specialises in valuations, mergers and acquisitions and due diligence work. Vikas holds a Bachelor of Commerce (Honours), a Masters in Accounting and is a member of the Institute of Chartered Accountants in Australia and New Zealand. Vikas has had over 10 years' experience within the Corporate Finance team at UHYHN Sydney.

## Declarations

Prior to accepting this engagement, we considered our independence with respect to IncentiaPay by reference to ASIC Regulatory Guide 112 Independence of Experts. In our opinion, we are independent of IncentiaPay and the outcome of the Transaction.

UHYHNCF has no interest in the outcome of the Proposed Transaction. UHYHNCF is entitled to receive a fee for the preparation of this Independent Expert's Report based on time spent at our normal hourly rates for this type of work and will be reimbursed for out of pocket expenses incurred. The fee payable to us is payable regardless of the outcome of the Proposed Transaction. Neither UHYHNCF or Mr Gupta holds securities in IncentiaPay and have not held any such beneficial interest in the previous two years.

A draft of this report (excluding our consideration of the merits of the Proposed Transaction) was provided to the Directors of IncentiaPay for factual checking on 9 September 2019 and a final draft (excluding our consideration of the merits of the Proposed Transaction) was provided to IncentiaPay on 8 November 2019.

## Purpose of report

This Independent Expert's Report has been prepared at the request of the Directors of IncentiaPay and should not be used for any other purpose. In particular, it is not intended that this Independent Expert's Report should serve any purpose other than an expression of our opinion on whether the Proposed Transaction is fair and reasonable to the Non-associated Shareholders. This Independent Expert's Report has been prepared solely for the benefit of the Directors of IncentiaPay and for the benefit of the existing Non-associated Shareholders. Neither the whole nor any part of this Independent Expert's Report nor any reference to it may be included in or attached to any document, circular, resolution, letter or statement without our prior written consent to the form and context in which it appears.

## Special note regarding forward-looking statements and forecast financial information

Certain statements in this Independent Expert's Report may constitute forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance and achievements of IncentiaPay to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among other things, the following:

- General economic conditions;
- The future movements in interest rates and taxes;



- The impact of terrorism and other related acts on broader economic conditions;
- Changes in laws, regulations or governmental policies or the interpretation of those laws or regulations to IncentiaPay in particular; and
- Other factors referenced in this Independent Expert's Report.

### **Indemnity**

In preparing this Independent Expert's Report, IncentiaPay has indemnified UHYHNCF and its employees, officers and agents against any claim, liability, loss or expense, cost or damage, including legal costs on a solicitor client basis, arising out of reliance on any information or documentation provided by IncentiaPay which is false and misleading or omits any material particulars or arising from a failure to supply relevant documentation or information.

In addition, IncentiaPay has agreed that if it makes any claim against UHYHNCF for loss as a result of a breach of our contract, and that loss is contributed to by its own actions, then liability for its loss will be apportioned having regard to the respective responsibility for the loss, and the amount IncentiaPay may recover from UHYHNCF will be reduced by the extent of its contribution to that loss.

### **Consent**

UHYHNCF has consented in writing to this Report in the form and context in which it appears being included in the Notice of Meeting which will be issued by the Directors of IncentiaPay and which will be distributed to IncentiaPay shareholders.

UHYHNCF has not has authorised or caused the issue of all or any part of the Notice of Meeting other than this report. Neither the whole nor any part of this report nor any reference to it may be included in or with or attached to any other document, circular, resolution, letter or statement without the prior consent of UHYHNCF to the form in which it appears.

### **APES 225 Valuation Services**

This Independent Expert Report has been prepared in accordance with APES 225 Valuation Services.

## APPENDIX B - SOURCES OF INFORMATION

In preparing this Independent Expert's Report, we have had access to and relied upon major sources of information, including:

- The Convertible Note Subscription Agreement;
- ASX announcements for IncentiaPay;
- IncentiaPay Annual Reports (audited) for the two years ended 30 June 2017 and 30 June 2018;
- IncentiaPay Annual Report (unaudited) for the year ended 30 June 2019;
- Discussions with management and the advisers to IncentiaPay;
- Other information provided by management of IncentiaPay;
- Information obtained from Bloomberg, Capital IQ and IBISWorld Industry Reports; and
- Other publicly available information including information from websites.

We have not performed an audit, review or any other verification of the information presented to us. Accordingly, we express no opinion on the reliability of the information supplied to us.

In forming our opinion, UNYHNCF Securities has assumed that:

- matters such as compliance with laws and regulations and contracts in place are in good standing and will remain so and that there are no material legal proceedings, other than as publicly disclosed;
- the information provided to us by management is complete, accurate and fairly presented in all material aspects; and
- the publicly available information relied on by UHYHNCF in its analysis was accurate and not misleading.

In addition, UHYHNCF assumes no responsibility and offers no legal opinion or interpretation on any issue in respect of legal issues relating to assets, properties, or business interests or issues regarding compliance with applicable laws, regulations and policies.

## APPENDIX C - SUMMARY OF VALUATION METHODOLOGIES

There are a number of commonly adopted methodologies that could be used to assess the value of the underlying business (or enterprise value) or equity value of IncentiaPay. Widely accepted methodologies include:

- *Discounted cash flow* – This method indicates the value of a business based on the present value of the cash flows that the business can be expected to generate in the future. Such cash flows are discounted at a discount rate (the cost of capital) that reflects the time value of money and the risks associated with the cash flows;
- *Capitalisation of future maintainable earnings* – This method involves multiplying an estimation of a level of sustainable earnings (or profits) of a business by a multiple that is reflective of the underlying risks and growth prospects of the business. The estimation of future maintainable earnings is considered a surrogate for the future cash flows of the business and the process of multiplication is referred as the ‘capitalisation’ of earnings;
- *Net realisable value of assets* – This approach indicates the market value of the equity of an entity by adjusting the asset and liability balances on the subject company’s balance sheet to their market value equivalents. The net assets approach has a number of variants. Typically the approach can be applied using a going concern premise which uses the concept of replacement cost as an indicator of value; and
- *Market based assessments* – Market based assessments relate to the valuation of a business, shares or assets using observed prices at which comparable businesses, shares or assets have been exchanged in arm’s length transactions. This is often the most reliable evidence of market value but in the case of valuation of companies it can be difficult to find directly comparable transactions.
- For companies whose shares are publicly traded, the relevant share price is considered indicative of the market value of the shares, if there is sufficient liquidity. However, such market prices usually reflect the prices paid for small parcels of shares and as such do not include a premium for control.

Each methodology is appropriate in certain circumstances and the decision as to which methodology to apply generally depends on the nature of the business being valued, the maturity of the business, commonly adopted approaches used to value similar businesses and the availability of information.

# APPENDIX D - FINANCIAL SERVICES GUIDE

## ***THIS FINANCIAL SERVICES GUIDE FORMS PART OF THE INDEPENDENT EXPERT'S REPORT***

### **1. UHY Haines Norton Transaction Advisory Services**

UHY Haines Norton Corporate Finance Pty Ltd ("UHYHNCF" or "we" or "us" or "our") has been engaged to provide general financial product advice in the form of an Independent Expert's Report ("Report") in connection with a financial product of another person. The Report is to be included in documentation being sent to you by that person. AFSL License no: 269158.

### **2. Financial Services Guide**

This Financial Services Guide ("FSG") provides important information to help retail and wholesale clients make a decision as to their use of the general financial product advice in a Report, information about us, the financial services we offer, our dispute resolution process and how we are remunerated.

### **3. Financial services we offer**

We hold an Australian Financial Services Licence, which authorises us to provide the following services:

- financial product advice for the following classes of financial products:
  - (i) securities to retail and wholesale clients

### **4. General financial product advice**

In our Report we provide general financial product advice. The advice in a Report does not take into account your personal objectives, financial situation or needs.

You should consider the appropriateness of a Report having regard to your own objectives, financial situation and needs before you act on the advice in a Report. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain an offer document relating to the financial product and consider that document before making any decision about whether to acquire the financial product.

We have been engaged to issue a Report in connection with a financial product of another person. Our Report will include a description of the circumstances of our engagement and identify the person who has engaged us. Although you have not engaged us directly, a copy of the Report will be provided to you as a retail client because of your connection to the matters on which we have been engaged to report.

### **5. Remuneration for our services**

We charge fees for providing Reports. These fees have been agreed with, and will be paid by, the person who engaged us to provide a Report. Our fees for Reports are based on a time cost or fixed fee basis. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority. The estimated fee for this Report is \$43,000 (exclusive of GST).

Except for the fees and benefits referred to above, UHYHNCF, including any of its directors, employees or associated entities should not receive any fees or other benefits, directly or indirectly, for or in connection with the provision of our Report.

### **6. Associations with product issuers**

UHYHNCF and any of its associated entities may at any time provide professional services to financial product issuers in the ordinary course of business.

### **7. Responsibility**

The liability of UHYHNCF is limited to the contents of this Financial Services Guide and the Report.

## 8. Complaints process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial services. All complaints must be in writing and addressed to the below details. We will make every effort to resolve a complaint within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service Limited.

## 9. Compensation Arrangements

The Company and its related entities hold Professional Indemnity insurance for the purpose of compensation should this become relevant. Representatives who have left the Company's employment are covered by our insurances in respect of events occurring during their employment. These arrangements and the level of cover held by the Company satisfy the requirements of the *Corporations Act 2001*.

Contacting UHYHNCF	Contacting the Independent Dispute Resolution Scheme
The Director UHY Haines Norton Corporate Finance Pty Ltd Level 11, 1 York Street SYDNEY NSW 2001  Telephone: (02) 9256 6600	Financial Ombudsman Service Limited PO Box 3 MELBOURNE VIC 3001  Telephone: 1300 367 287

This Financial Services Guide has been issued in accordance with ASIC Class Order CO 04/1572.

**LET US HELP YOU ACHIEVE  
FURTHER BUSINESS SUCCESS**

At UHY Haines Norton we are proud of our reputation of acting with integrity to provide our clients with an innovative and quality service.

We view our clients as part of our team and offer advice that is valuable, informative, trustworthy and functional.

We don't just seek a solution, we seek – and implement – a workable, intelligent solution.

**UHY HAINES NORTON**

Level 11, 1 York Street  
Sydney, NSW 2000  
GPO Box 4137  
Sydney, NSW 2000

Phone +61 (02) 9256 6600  
Fax +61 (02) 9256 6611  
Email [sydney@uhyhnsyd.com.au](mailto:sydney@uhyhnsyd.com.au)

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## LODGE YOUR VOTE



**ONLINE**  
[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)



**BY MAIL**  
IncentiaPay Ltd  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235 Australia



**BY FAX**  
+61 2 9287 0309



**BY HAND**  
Link Market Services Limited  
1A Homebush Bay Drive, Rhodes NSW 2138; or  
Level 12, 680 George Street, Sydney NSW 2000



**ALL ENQUIRIES TO**  
Telephone: 1300 554 474      Overseas: +61 1300 554 474

## LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given above by **11:00am on Wednesday, 18 December 2019**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



**ONLINE**  
[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" - Securityholder Reference Number (SRN) or Holder Identification Number (HIN).

## HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

### YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

### APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

### DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form, including where the Resolution is connected directly or indirectly with the remuneration of KMP.

### VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

### APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- (b) return both forms together.

### SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

**Individual:** where the holding is in one name, the holder must sign.

**Joint Holding:** where the holding is in more than one name, either shareholder may sign.

**Power of Attorney:** to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

### CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" must be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au).

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU.  
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**

NAME SURNAME  
ADDRESS LINE 1  
ADDRESS LINE 2  
ADDRESS LINE 3  
ADDRESS LINE 4  
ADDRESS LINE 5  
ADDRESS LINE 6



X99999999999

## PROXY FORM

I/We being a member(s) of IncentiaPay Ltd and entitled to attend and vote hereby appoint:

### APPOINT A PROXY

☐ the Chairman of the Meeting (mark box)

**OR** if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Annual General Meeting of the Company to be held at **11:00am on Friday, 20 December 2019 at KPMG, Tower Three, Level 38, 300 Barangaroo Ave, Sydney NSW 2000** (the **Meeting**) and at any postponement or adjournment of the Meeting.

**Important for Resolution 2:** If the Chairman of the Meeting is your proxy, either by appointment or by default, and you have not indicated your voting intention below, you expressly authorise the Chairman of the Meeting to exercise the proxy in respect of Resolution 2, even though the Resolution is connected directly or indirectly with the remuneration of a member of the Company's Key Management Personnel (**KMP**).

**The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.**

### VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting. Please read the voting instructions overleaf before marking any boxes with an ☒.

#### Resolutions

	For	Against	Abstain*		For	Against	Abstain*
2 Adoption of Remuneration report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	10 Approval of entry into the proposed Convertible Loan Deed and issue of Shares under the Convertible Loan Deed	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Election of Stephen Harrison as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	11 Approval of entry into the Loan Security	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Election of Charles Romito as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
5 Election of Jeremy Thorpe as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
6 Election of Dean Palmer as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
7 Ratification of prior issue of 14,425,000 equity securities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
8 Ratification of prior issue of 2,678,572 equity securities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
9 Approval of capacity to issue securities under Listing Rule 7.1A	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				



\* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

### SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Sole Director and Sole Company Secretary

Joint Shareholder 2 (Individual)

Director/Company Secretary (Delete one)

Joint Shareholder 3 (Individual)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

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